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**ORIGINAL**

BEFORE THE ARIZONA CORPORATION COMMISSION

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ARIZONA CORPORATION COMMISSION  
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Arizona Corporation Commission

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SEP - 8 2014

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BOB STUMP  
Chairman

GARY PIERCE  
Commissioner

BRENDA BURNS  
Commissioner

BOB BURNS  
Commissioner

SUSAN BITTER SMITH  
Commissioner

IN THE MATTER OF THE APPLICATION )  
OF ARIZONA-AMERICAN WATER )  
COMPANY, AN ARIZONA )  
CORPORATION, FOR A )  
DETERMINATION OF THE CURRENT )  
FAIR VALUE OF ITS UTILITY PLANT )  
AND PROPERTY AND FOR INCREASES )  
IN ITS RATES AND CHARGES BASED )  
THEREON FOR UTILITY SERVICE BY )  
ITS ANTHEM/AGUA FRIA WASTEWATER )  
DISTRICT, SUN CITY WASTEWATER )  
DISTRICT, AND SUN CITY WEST )  
WASTEWATER DISTRICT )

DOCKET NOS. SW-01303A-09-0343  
W-01303A-09-0343

**NOTICE OF FILING DIRECT  
TESTIMONY**

EPCOR Water Arizona, Inc. hereby files the attached direct testimony of Sheryl L. Hubbard and Shawn Bradford dated September 8, 2014.

RESPECTFULLY SUBMITTED this 8th day of September, 2014.

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2 of the foregoing filed  
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7 Phoenix, Arizona 85007

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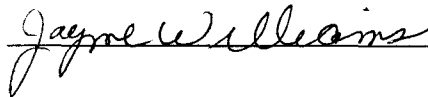
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DISTRICT, SUN CITY WASTEWATER )  
DISTRICT, AND SUN CITY WEST )  
WASTEWATER DISTRICT )

DOCKET NO. W-01303A-09-0343  
SW-01303A-09-0343

**DIRECT TESTIMONY  
OF  
SHAWN BRADFORD  
ON BEHALF OF  
EPCOR WATER ARIZONA, INC.  
SEPTEMBER 8, 2014**

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1 **I. INTRODUCTION AND QUALIFICATIONS**

2 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND TELEPHONE**  
3 **NUMBER.**

4 A. My name is Shawn Bradford. My business address is 2355 W. Pinnacle Peak Road, Suite  
5 300, Phoenix, Arizona 85027, and my business phone is (623) 815-3136.

6 **Q. IN WHAT CAPACITY AND BY WHOM ARE YOU EMPLOYED?**

7 A. I am employed by EPCOR Water (USA) Inc. ("EWUS"), the owner of EPCOR Water  
8 Arizona, Inc. ("EWAZ" or "Company"), as the Vice President of Corporate Services.

9  
10 **Q. PLEASE DESCRIBE YOUR PRIMARY RESPONSIBILITIES FOR THE**  
11 **COMPANY.**

12 A. My primary responsibilities for EWUS include the management of the Customer Care &  
13 Billing, Public & Governmental Affairs, Information Technology and the Rates &  
14 Regulatory Departments.

15 **Q. PLEASE DESCRIBE YOUR PROFESSIONAL EXPERIENCE AND EDUCATION.**

16 A. I have been employed by EWUS since February 1, 2012. Prior to EWUS's acquisition of  
17 the American Water operations in Arizona and New Mexico, I worked for Arizona-  
18 American Water beginning in the fall of 2011.

19 I have over 26 years of experience in the water and wastewater industry, with experience  
20 at all levels, including management, operations, and maintenance. Prior to my current  
21 position with EWUS as the Vice President of Corporate Services, I served as the Director  
22 of Operations for the Central Division with EWAZ and was responsible for over 81,000  
23 water and 45,000 sewer connections in the Sun City, Sun City West, and Agua Fria  
24 Districts.

1 I possess an MBA with a focus on Strategic Leadership from Amberton University as well  
2 as a Bachelor of Science Degree in Management from Becker College and an Associate's  
3 Degree in Environmental Engineering from Northeastern University.

4 **II. PURPOSE OF TESTIMONY**

5 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS CASE?**

6 A. The purpose of my direct testimony is to provide background regarding the wastewater  
7 districts that are part of this proceeding and to provide support for the Company's position  
8 regarding full consolidation of its wastewater systems.

9 **III. BACKGROUND**

10 **Q. PLEASE PROVIDE SOME BACKGROUND AS TO THE WASTEWATER**  
11 **DISTRICTS THAT ARE PART OF THIS PROCEEDING.**

12 A. EWAZ's five wastewater districts include the Sun City Wastewater District, the Sun City  
13 West Wastewater District, the Agua Fria Wastewater District, the Anthem Wastewater  
14 District and the Mohave Wastewater District.

15 **Q. PLEASE DESCRIBE THE WASTEWATER TREATMENT PROCESS USED BY**  
16 **EWAZ ACROSS ALL OF THE WASTEWATER DISTRICTS.**

17 A. EWAZ currently operates and maintains six wastewater treatment plants in the five  
18 wastewater districts. The company uses an activated sludge treatment process at all of the  
19 wastewater treatment plants currently in service. The basic principle of activated sludge  
20 treatment includes the use of microorganisms to feed on the organic contaminants in  
21 wastewater, producing a high quality effluent.

22 By taking this common approach to wastewater treatment the Company is able to  
23 provide all of its wastewater customers with the same high level service. It also generates  
24 operating efficiencies by leveraging one common treatment process across the entire  
25 business which helps reduce operating expenses.

1 **Q. PLEASE DESCRIBE THE COMMUNITIES WITHIN THE AGUA FRIA**  
2 **WASTEWATER DISTRICT.**

3 A. The Agua Fria Wastewater District provides service to the master planned communities of  
4 Corte Bella, Crossriver, Rancho Silverado, Rio Sierra, Dos Rios, Rancho Cabrillo and  
5 Coldwater Ranch in what is referred to as the Northeast Agua Fria area and the  
6 communities of Russell Ranch and Verrado in the southern portion of the Agua Fria  
7 District. As of July 31, 2014 the customer count in the Agua Fria Wastewater District is  
8 6,123. A map of the Agua Fria District is attached as Exhibit SB-1.

9 **Q. HOW IS WASTEWATER FROM THE NORTHEAST AGUA FRIA AREA**  
10 **TREATED?**

11 A. A master-planned wastewater collection system sends waste streams by gravity to the  
12 Northeast Agua Fria Lift Station No. 1, where it is pumped for treatment to the Company's  
13 Northwest Valley Regional Water Reclamation Facility ("NWVRWRF") located at 11102  
14 W. Rose Garden Lane, Sun City, AZ. The NWVRWRF is a 5.0 million gallons per day  
15 (MGD) water reclamation facility that treats raw wastewater to A+ effluent standards. The  
16 NWVRWRF is located in an unincorporated section of Maricopa County and also treats  
17 wastewater flows for our Sun City West Wastewater customers. The treatment process  
18 consists of screening, grit removal, nitrification and de-nitrification, clarification, post  
19 clarification filtration, and liquid chlorine disinfection. The Company operates an aquifer  
20 recharge and recovery system to allow for beneficial recharge of reclaimed water from the  
21 NWVRWRF.

22 **Q. HOW IS WASTEWATER FROM RUSSELL RANCH TREATED?**

23 A. Wastewater flows through a collection system by gravity to a Company-owned wastewater  
24 treatment plant. The Russell Ranch Water Reclamation Facility ("Russell Ranch WRF")  
25 is a wastewater treatment plant with a design capacity of 60,000 gallons per day (gpd).  
26 The treatment process includes influent pumping, equalization, biological nutrient removal  
27 (nitrification/de-nitrification) using an activated sludge system with clarification, and

1 hypochlorite disinfection, followed by de-chlorination for removal of any chlorine  
2 residual. Effluent is recharged to the subsurface via two recharge basins adjacent to the  
3 treatment plant. Biosolids are transported to the Company's Verrado Water Reclamation  
4 Facility ("Verrado WRF") for solids handling.

5 **Q. HOW IS WASTEWATER TREATED IN THE VERRADO COMMUNITY?**

6 A. Wastewater collected from the Verrado community flows by gravity through a collection  
7 system to the Verrado Water Reclamation Facility ("Verrado WRF"). The Verrado WRF  
8 has the capacity to collect and treat 830,000 gpd using a conventional activated sludge,  
9 biological nutrient removal process that meets A+ effluent standards. The treatment  
10 process consists of screening, grit removal, nitrification and de-nitrification, clarification,  
11 post clarification filtration, and liquid chlorine disinfection. Pretreatment structures include  
12 an in-channel step screen, grit chamber, and influent equalization tank. Secondary  
13 treatment structures include two aerobic basins, two anoxic basins, and two clarifiers, all  
14 of which operate in parallel. Solids handling consists of an aerobic digester and belt filter  
15 press. Dewatered sludge is disposed of off-site at an approved landfill. Reclaimed water is  
16 reused by the Verrado community via an extensive reuse irrigation system which provides  
17 golf course irrigation and other reclaimed water uses. In addition, there is an Aquifer  
18 Recharge Facility one mile northwest of the Verrado WRF which utilizes two vadose zone  
19 wells for aquifer recharge. By utilizing reclaimed water, the Verrado community is able to  
20 mitigate groundwater use to irrigate the community's golf courses.

21 **Q. PLEASE DESCRIBE THE COMPANY'S WASTEWATER SERVICE IN**  
22 **ANTHEM.**

23 A. In the Anthem community, the Company provides wastewater collection and treatment  
24 service for approximately 9,000 customers. The Anthem Wastewater Treatment Plant  
25 ("Anthem WWTP") is an activated sludge, tertiary-treatment plant (membrane bioreactor)  
26 that treats the wastewater from the Anthem community. The Anthem WWTP removes  
27 organic and suspended material from the waste stream to meet A+ effluent standards for

1 unrestricted use. The plant has a design capacity of 3 million gallons per day (gpd). The  
2 recycled water is disinfected before being used for irrigation or recharged into the  
3 groundwater aquifer.

4 **Q. PLEASE DESCRIBE THE SUN CITY WASTEWATER DISTRICT.**

5 A. The Sun City Wastewater District is located in the northwest portion of the Phoenix  
6 metropolitan area, Maricopa County, and provides wastewater service to the communities  
7 of Sun City, Youngtown and portions of the City of Surprise and the City of Peoria. The  
8 district includes a wastewater collection system with seven lift stations and a metering  
9 station. EWAZ collects the wastewater and then delivers it through a regional collection  
10 system for treatment at the Tolleson Wastewater Treatment Plant ("Tolleson WWTP"). It  
11 is important to note that while wastewater treatment in Sun City is provided by the City of  
12 Tolleson, they also use an activated sludge treatment process similar to the Company's  
13 other wastewater treatment facilities.

14 **Q. PLEASE DESCRIBE THE SUN CITY WEST WASTEWATER DISTRICT.**

15 A. The Sun City West Wastewater District is also located in the northwest portion of the  
16 Phoenix metropolitan area, Maricopa County and provides wastewater service for the  
17 community of Sun City West. The District includes a wastewater collection system with a  
18 single lift station, located at the corner of Bell Road and El Mirage Road. The wastewater  
19 is collected by gravity and then lifted, or boosted, for treatment at EWAZ's NWVRWRF.

20 **Q. FINALLY, PLEASE DESCRIBE THE SERVICES IN THE MOHAVE**  
21 **WASTEWATER DISTRICT.**

22 A. The Mohave Wastewater System is comprised of two distinct service areas located in  
23 Mohave Valley and at the Arizona Gateway development. The Mohave Wastewater  
24 system is located in the community of Fort Mohave. The Fort Mohave area is served by  
25 our Wishing Well Water Reclamation Facility ("Wishing Well"), a 400,000 gpd extended  
26 aeration wastewater treatment plant located south of Bullhead City. The treatment process  
27 consists of headworks, which include a grit basin and fine screen, Parshall flume meter,

1 aeration and anoxic basin with nitrification and denitrification capability, secondary  
2 clarifiers, multi-media filters, chlorine contact basin, clear well with pump station, sludge  
3 holding tank and sludge dewatering unit. The effluent is delivered and sold offsite for  
4 beneficial reuse in man-made lakes at the Lakes at Los Lagos subdivision. The Fort  
5 Mohave service area is approximately 3.5 square miles and there are approximately 1,700  
6 customers in the wastewater service territory.

7 The Arizona Gateway Treatment Plant ("Gateway Plant") is located at the  
8 intersection of Highway 95 and Interstate 40 and is approximately 12 miles north of Lake  
9 Havasu City. The Gateway Plant is an underground 112,000 gpd extended aeration plant  
10 that serves a collection system for a commercial development block that includes a truck  
11 stop, fast-food chains, a gas station, storage buildings, and other structures. Influent enters  
12 into a flow-equalization basin, and is treated in two separate train aeration reactors with a  
13 sludge holding tank. The effluent is then disinfected using chlorination/de-chlorination  
14 and disposed into an evaporation pond located within the compound of the treatment plant  
15 site. This service area is approximately 0.25 square-miles.

16 **Q. HAVE THERE BEEN ANY RECENT CHANGES TO THE WISHING WELL**  
17 **PLANT?**

18 **A.** Yes, the Wishing Well plant had an original design capacity of 250,000 gallons per day.  
19 This plant was expanded in 2008 to accommodate increased flows that were being  
20 received from the wastewater service territory. The plant was designed as an extended  
21 aeration plant that would produce class B quality treated effluent. The effluent from the  
22 Wishing Well plant was provided to the Desert Lakes Golf Course, which is adjacent to  
23 the Wishing Well plant, to be used for irrigation of the golf course facility. In mid-2012  
24 EWAZ stopped providing effluent to the Desert Lakes Golf Course and began to provide  
25 the Buena Vista Homeowners Association ("BVHA") with effluent from the Wishing Well  
26 plant.  
27

1 In order to provide effluent to the BVHA, however, it was necessary for EWAZ to  
2 make operational changes that would enable the plant to produce A+ quality effluent and  
3 to construct a six inch force main to deliver the effluent. An agreement was entered into  
4 with BVHA for them to receive A+ effluent from EWAZ. BVHA provided the funding to  
5 pay for the installation of the force main as a refundable advance. The modifications to  
6 the plant included converting an existing aeration basin to an anoxic zone for  
7 denitrification. Other modifications included adding an airlift mixed liquor return pump  
8 and associated piping, installation of baffling in the chlorine contact chamber, replacement  
9 of diffusers throughout the plant, as well as installation of dissolved oxygen (DO)  
10 analyzers.

11 **IV. CREATION OF ANTHEM AND AGUA FRIA WASTEWATER DISTRICTS**

12 **A. PLEASE DESCRIBE THE HISTORY OF THE CREATION OF THE**  
13 **CONSOLIDATED ANTHEM/AGUA FRIA WASTEWATER DISTRICT.**

14 A. My understanding is that the Commission set initial rates for the Anthem Wastewater  
15 District on June 19, 1998, in Decision No. 60975. That Decision created a new water  
16 Certificate of Convenience and Necessity ("CC&N") and a new wastewater CC&N. A  
17 subsidiary of Citizens Utilities Company ("Citizens") - Citizens Water Services Company  
18 of Arizona ("Citizens Water Services") - was granted both the water and wastewater  
19 CC&Ns. At the time of Decision No. 60975, Citizens Water Services provided wastewater  
20 utility services only in Anthem.<sup>1</sup>

21 **Q. HOW DID CITIZENS WATER SERVICES BECOME PART OF ARIZONA-**  
22 **AMERICAN?**

23 A. In Decision No. 63584, dated April 24, 2001, the Commission approved the acquisition of  
24 Citizens' Arizona properties, including those of Citizens Water Services, by Arizona-

26 <sup>1</sup> Other Citizens wastewater districts CC&Ns (e.g., Sun City and Sun City West) were held by other  
27 Citizens subsidiaries at that time. These certificates were granted over time based on individual  
developments. For example, the Sun City Wastewater CC&N was granted in Decision No. 46641(Dec. 31.  
1975).

1 American Water Company ("Arizona-American"). The acquisition was finalized on  
2 January 15, 2002. Arizona-American then began referring to the former Citizens Water  
3 Services Wastewater District as Arizona-American's "CW Service District." Anthem's  
4 wastewater rates were first changed by Decision No. 67093, which was issued on June 30,  
5 2004. Throughout the conduct of that rate case, the "CW Service District" was referred to  
6 as the "Anthem/Agua Fria Wastewater District." The subsequent compliance tariffs for  
7 Anthem wastewater service filed in connection with Decision No. 63584 referred to the  
8 district as "Anthem/Agua Fria Wastewater District."

9 **Q. HOW DID THE VERRADO, RUSSELL RANCH, AND THE NORTHEAST AGUA**  
10 **FRIA SERVICE AREAS BECOME PART OF THE ANTHEM/AGUA FRIA**  
11 **WASTEWATER DISTRICT?**

12 A. In Decision No. 64307, dated December 28, 2001, the Commission approved the extension  
13 of the Citizens Water Services' Wastewater CC&N to include the new Verrado service  
14 area. Citizens Water Services was authorized to charge the same rates in the new area as  
15 were then in effect for the Anthem wastewater service, with the addition of a new hook-up  
16 fee that would be applicable only to Verrado customers. Arizona-American's acquisition  
17 of Citizens Water Services was finalized two weeks later, on January 15, 2002. In its  
18 subsequent compliance tariff filing, Arizona-American referred to the former Citizens  
19 Water Services wastewater service territory as its "CW Services District."

20 On September 18, 2001, Citizens Water Services, applied to extend its wastewater CC&N  
21 to encompass the Russell Ranch service area. On April 17, 2002, the Commission issued  
22 Decision No. 64746, which approved the CC&N extension. The Commission noted the  
23 name change from Citizens Water Services to Arizona-American Water Company. The  
24 compliance tariffs again referred to Arizona-American's "CW Services District."

25 On August 20, 2002, Arizona-American applied to extend its CW Services District  
26 wastewater CC&N to include the area referred to as the Northeast Agua Fria service area.  
27



1 For the first time, Arizona-American referred to the former Citizens Water Services  
2 wastewater district as the "Anthem/Agua Fria District". The Northeast Agua Fria service  
3 area was added to the Anthem/Agua Fria Wastewater CC&N by the Commission in  
4 Decision No. 65757, dated March 20, 2003.

5 **Q. HAS THE COMMISSION SINCE DE-CONSOLIDATED THIS FORMER**  
6 **DISTRICT?**

7  
8 A. Yes, in Decision No. 73227 dated June 5, 2012, the Commission de-consolidated this  
9 district into the Anthem Wastewater District and Agua Fria Wastewater District.

10 **V. FULL CONSOLIDATION**

11 **Q. DOES EWAZ CONTINUE TO SUPPORT FULL CONSOLIDATION OF ITS**  
12 **WASTEWATER DISTRICTS?**

13 A. Yes, EWAZ continues to support full consolidation of its wastewater districts as the best  
14 long-term solution to address the concerns raised by its customers, but more importantly as  
15 the most equitable approach in the long term for establishing reasonable rates to recover  
16 the reasonable expenses and capital expenditures that will ultimately impact every district  
17 at some point in the future. In the long term, all wastewater customers will benefit from  
18 predictable, uniform rate structures, reduced regulatory expenses and increased  
19 efficiencies. Moving to a consolidated district with a single rate structure mirrors what  
20 consumers experience in most municipal districts and with many large gas and electric  
21 utilities. In other words, rates are the same regardless of where a customer lives within a  
22 municipal area or within a utility's service territory.

23 **Q. WHY DOES THE COMPANY CONSIDER THAT FULL CONSOLIDATION IS**  
24 **JUSTIFIED?**  
25  
26  
27

1 A. The Company would like to point out a number of observations related to its wastewater  
2 systems.

- 3 1. Every residential customer of the Company, regardless of geographic location, expects  
4 and is entitled to receive the same level of service.
- 5 2. Each class of customer in a district receives essentially the same service as a  
6 corresponding class in another district.
- 7 3. Providing a common type of wastewater treatment to all of our customers, regardless  
8 of where they are physically located, supports the concept of a single rate for like and  
9 contemporaneous service made under the same and substantially similar circumstances  
10 and conditions.
- 11 4. Customers view themselves as being served by EPCOR Water and not as being served  
12 by a specific operating district.
- 13 5. Because the existing rates for each district have been set on the basis of the investment  
14 and expenses for each particular district, the wastewater rates vary markedly from  
15 district to district. The disparity is in part the result of the absence of economies of  
16 scale in the smaller districts, the disproportionate effect imposed on the smaller  
17 districts by even routine investments and by the episodic investment of capital in  
18 individual districts.
- 19 6. Under the Company's organizational structure, many operational activities are  
20 centralized. Billing, accounts payable, payroll, purchase of materials and supplies,  
21 insurance and pension benefits, original entry accounting, public affairs, liability  
22 insurance, personnel training, engineering, water quality, budgeting, and rate case  
23 preparation are accomplished on a centralized basis.
- 24 7. Each of the five wastewater service districts depends upon EWUS for its capital and  
25 debt financing. It is the Company, not the individual operating districts, that raises the  
26 capital necessary and, in turn, allocates it to the various districts.

1 8. One consolidated district is the right direction because all of our customers, regardless  
2 of where they are physically located, would pay the same rate for like and  
3 contemporaneous service made under the same and substantially similar circumstances  
4 and conditions (e.g. collection of wastewater and treatment via activated sludge).

5 **Q. WHAT ARE THE PRIMARY BENEFITS OF FULL CONSOLIDATION?**

6 A. As noted by Ms. Diane Smith in her presentation to the Commission, consolidation  
7 provides numerous benefits to customers, including the following:

- 8 1. Consolidation would offer and could be a long-term solution to eliminate disparity in  
9 rates;
- 10 2. Improves service affordability for customers;
- 11 3. Helps control cost of customer accounting and billing systems;
- 12 4. Provides ratemaking treatment similar to that for other utilities;
- 13 5. Improved rate stability and elimination of rate shock;
- 14 6. Reduction in the number of rate cases and associated expenses;
- 15 7. Elimination of cost allocation issues between districts in rate filings;
- 16 8. Standardized service rates and charges across all districts;
- 17 9. Reduced customer confusion with respect to differing rate schedules among districts,  
18 which improves customer service efforts; and,
- 19 10. Lowers administrative costs for the Commission.

20  
21 Most importantly, consolidation offers the best short-term and long-term solutions for the  
22 issues that have been raised by many of the Company's customers. This includes the  
23 customers that have raised the issues that led to this proceeding as well as customers in  
24 other wastewater districts. In the long term, which is the timeframe that the Commission  
25 should examine, all customers will benefit. These customers will benefit as consolidation  
26 allows for the ability to make needed capital investments in smaller districts without  
27 imposing burdensome rate increases, as those costs are spread over the entire, consolidated

1 entity. Over the long term, every EWAZ wastewater district will require needed  
2 improvements, and as systems continue to age, these improvements will be costly. On an  
3 individual district basis, however, those investments will occur in significant amounts all  
4 at once as large projects are undertaken, with district-level rate spikes resulting from the  
5 investment schedule. Unlike deconsolidation, in which each district would be required to  
6 pay for the entire cost of an improvement within that district regardless of its cost (and the  
7 smaller the customer base in the district, the greater the proportionate increase),  
8 consolidation allows for all costs to be spread over a greater number of customers.

9 **Q. SHOULD THE PROXIMITY OF THE DISTRICTS AND WHETHER**  
10 **INFRASTRUCTURE IS INTERCONNECTED DETERMINE WHETHER**  
11 **CONSOLIDATION IS APPROPRIATE?**

12 A. No. Although it is true that the physical infrastructure and treatment plants of certain of  
13 the wastewater districts are separate from one another, this should not be determinative in  
14 setting rates. Other major utilities, including electric utilities (Arizona Public Service and  
15 Tucson Electric Power), natural gas utilities (Southwest Gas) and telephone utilities  
16 (CenturyLink), have unified tariff structures across Arizona even though they serve many  
17 different communities. The same is true for large municipal water and wastewater utilities  
18 that serve numerous neighborhoods within their municipal boundaries (City of Phoenix).  
19 For example, if APS constructs a large facility in Phoenix or Flagstaff, the costs of these  
20 facilities, while they may not directly benefit the entire service territory, are spread over  
21 the entire customer base.

22 EWAZ also believes that, particularly with regard to wastewater, the geographical  
23 differences in service territory should not be an impediment to consolidation. It is rarely  
24 feasible for a large wastewater utility to serve all customers by one treatment plant. For  
25 example, the City of Phoenix has three wastewater treatment plants for the treatment of its  
26 citizens' wastewater. Ultimately, the benefits of a unified, consolidated rate structure  
27 outweigh any issues presented by consolidating geographically distinct service areas.

1 Although cost causation is an important principle in ratemaking, it should not be the only  
2 determining factor. Taken to an extreme, each community could be required to pay for  
3 and install treatment plants to treat its wastewater. Under true cost causation, that  
4 community would bear the entire cost of the improvement. However, this approach  
5 eliminates the numerous efficiencies that arise out of full consolidation both operationally  
6 and administratively.

7 **Q. HOW DO FUTURE IMPROVEMENTS IN THESE DISTRICTS IMPACT THE**  
8 **CONSOLIDATION ANALYSIS?**

9 A. Over the next five years, EWAZ expects to spend over \$9.3 million dollars on regular  
10 capital improvements for the wastewater operations in Sun City and approximately \$4.9  
11 million in Sun City West to improve lift stations and pumps, and to replace a major force  
12 main.

13 EWAZ also anticipates spending approximately \$5.3 million in capital  
14 improvements for plant facilities and equipment and membrane replacements over that  
15 timeframe in the Anthem Wastewater District. Wastewater from the Russell Ranch  
16 subdivision is currently treated at the Russell Ranch WRF. Russell Ranch WRF is an  
17 above-ground prefabricated metal treatment plant which is typically designed and  
18 constructed to serve as an interim wastewater treatment solution until a permanent in-  
19 ground concrete and steel regional water reclamation facility can be brought into service.  
20 The Maricopa Association of Governments Regional Wastewater Master Plan has even  
21 identified Russell Ranch WRF as an interim wastewater solution. Russell Ranch WRF  
22 was placed into service in 2004 and currently meets the treatment needs of the existing  
23 residents. However, RRWRF is already showing normal signs of wear and tear typically  
24 associated with an above-ground package plant and is nearing the end of its useful life.  
25 Consolidation will smooth the rate impacts of future capital expenditures over the entire  
26 wastewater customer base. The expenditure amounts in each district will likely continue  
27 to increase annually over the longer term as the existing facilities continue to age.

1 **Q. WON'T CERTAIN CUSTOMERS' RATES INCREASE AS A RESULT OF**  
2 **CONSOLIDATION?**

3 A. Yes, by the very nature and activity of moving to one uniform rate from varied rates you  
4 will have some increases and some decreases. As shown in the data provided as part of this  
5 filing, there is no question that certain districts would experience rate decreases in the  
6 short term from full consolidation and others would experience rate increases. Generally,  
7 these differences occur because of the relative size of the customer base in different  
8 districts or because the facilities that serve customers in one district are older and therefore  
9 cost less when they were installed many years ago, than newer facilities in another district.  
10 This, however, provides only a snapshot of the situation at this moment in time. Although  
11 the customers in the Sun City district will experience an increase in rates in the short term,  
12 it is important to note that the vast majority of collection system infrastructure in Sun City  
13 was installed in the 1960s and 1970s and has reached or is reaching the end of its useful  
14 life and will require the replacement as infrastructure begins to fail. In its most recent need  
15 surveys, the Environmental Protection Agency (EPA) estimated that the funding need in  
16 the United States for drinking water infrastructure totaled \$335 billion (in 2007 dollars)  
17 and wastewater infrastructure needs totaled \$298 billion (in 2008 dollars). Over a period of  
18 years, all facilities will need to be replaced or upgraded as they wear out or as new  
19 regulations affecting wastewater treatment are enacted. When these new facilities are  
20 installed, they will inevitably be more expensive than the ones they replace. Over time,  
21 districts that have older and less costly plant will see it replaced or expanded with newer  
22 and more costly plant.

23 Without consolidated rates, the burden for these new more costly facilities will fall  
24 only on the customers in that district, the implication being higher rates and possible rate  
25 shock. In other words, just because a particular district has lower rates today does not  
26 mean that those rates will remain low in the future.

1 **Q. WHAT OTHER BENEFITS ARE THERE FROM CONSOLIDATION?**

2 A. Consolidation will also lead to administrative efficiencies. For example, when rate cases  
3 must inevitably be filed to address capital improvements and higher operating costs, the  
4 Company will be unified and only one case will need to be filed. As such, the costs of  
5 processing the rate case will not only be reduced for all parties including the Company's  
6 customers, the Commission and the Residential Utility Consumer Office ("RUCO"), but  
7 the individual customer cost will be smaller because any increases authorized by the  
8 Commission will be spread over the entire customer base.

9 A single uniform rate structure allows larger utilities to acquire small troubled  
10 systems that lack capacity because it makes it possible to spread costs over a larger service  
11 population and maintain more stable and affordable rates for customers of some smaller  
12 and more expensive systems.

13 **Q. IF THE COMPANY'S WASTEWATER DISTRICTS WERE FULLY**  
14 **CONSOLIDATED, WHAT WOULD OCCUR IF A LARGE CAPITAL**  
15 **IMPROVEMENT WAS MADE THAT ONLY SERVED ONE LIMITED AREA**  
16 **WITHIN ONE OF THE ORIGINAL SERVICE TERRITORIES?**

17 A. Inevitably, each individual district will require a large capital improvement such as the  
18 replacement of a wastewater treatment facility that will largely benefit only those  
19 customers within that district. It is this type of occurrence which highlights the benefits of  
20 full consolidation. If consolidation is approved, the cost of this type of improvement  
21 would be spread over the entire consolidated customer base. As noted above, in the  
22 Company's plans to replace a force main that moves wastewater generated only from the  
23 Sun City West District along Bell Road to the NWVRWRF. This project is currently  
24 being evaluated and early estimates project the cost to be between \$3 and 5 million.  
25 Without consolidation, this cost would be solely the responsibility of the Sun City West  
26 customer base but under full consolidation this cost would be spread over a much larger  
27 customer base leading to smaller rate increases. Similarly, just as one area of a

1 consolidated system may need a large improvement one year, another area may need a  
2 similar or larger improvement the next year. Over time, all customers benefit from  
3 consolidation, as the rate impacts from discrete improvement projects are not as severe.

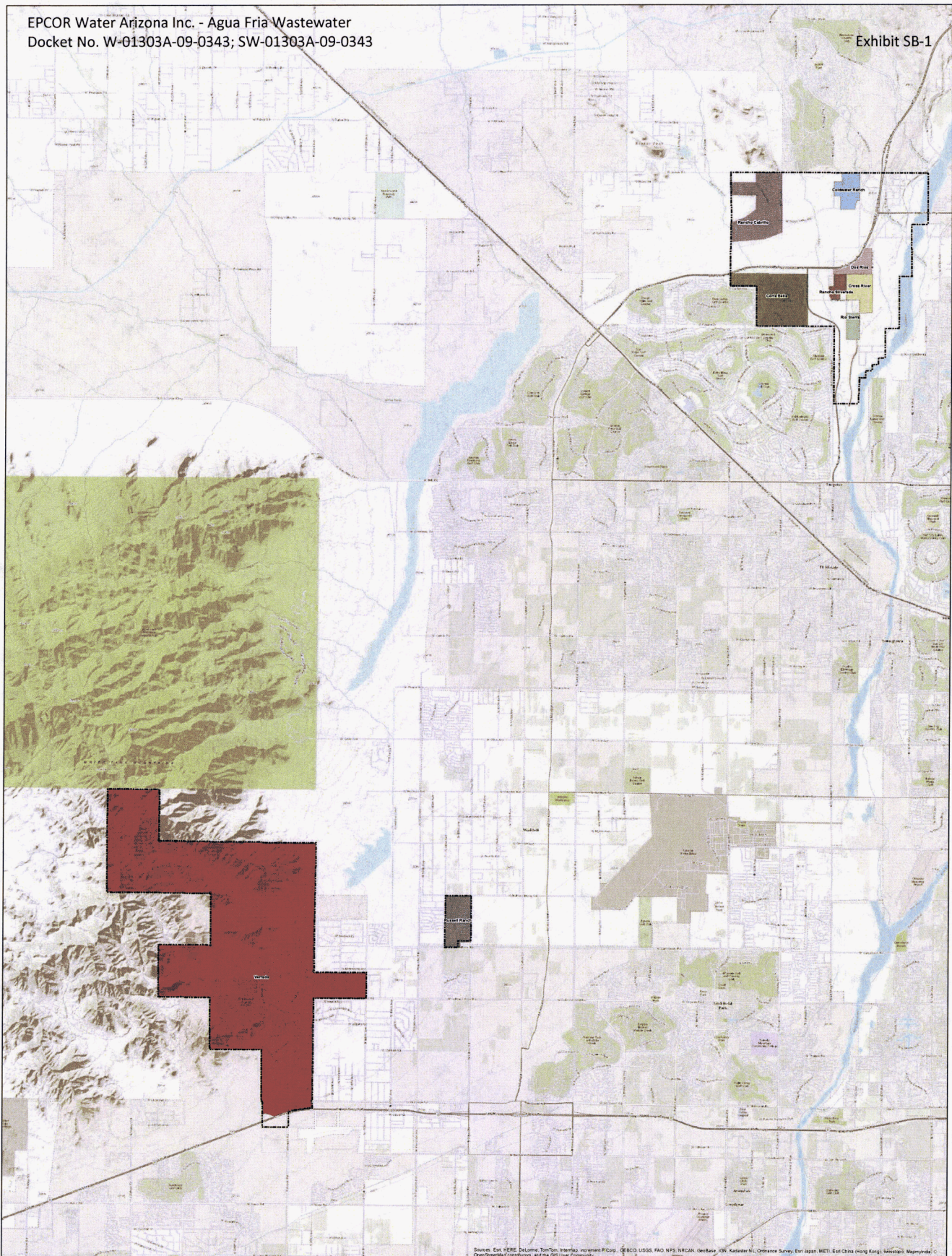
4 **Q. DOES THAT COMPLETE YOUR DIRECT TESTIMONY IN THIS**  
5 **PROCEEDING?**

6 A. Yes, it does.  
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**EXHIBIT SB- 1**





Notes:

Created: September 3, 2014

File name: G:\GIS\MXDs\Agua Fria\AFWWSubdivisions.mxd

Data source: EPCOR Water, ESRI



Legend:

- |  |                               |  |                  |
|--|-------------------------------|--|------------------|
|  | Agua Fria Wastewater District |  | Rancho Cabrillo  |
|  | Coldwater Ranch               |  | Rancho Silverado |
|  | Corte Bella                   |  | Rio Sierra       |
|  | Cross River                   |  | Russell Ranch    |
|  | Dos Rios                      |  | Verrado          |

Agua Fria Wastewater District



2355 W. Pinnacle Peak Rd.  
Suite 300  
Phoenix, AZ 85027



BEFORE THE ARIZONA CORPORATION COMMISSION

BOB STUMP  
Chairman

GARY PIERCE  
Commissioner

BRENDA BURNS  
Commissioner

BOB BURNS  
Commissioner

SUSAN BITTER SMITH  
Commissioner

IN THE MATTER OF THE APPLICATION )  
OF ARIZONA-AMERICAN WATER )  
COMPANY, AN ARIZONA )  
CORPORATION, FOR A )  
DETERMINATION OF THE CURRENT )  
FAIR VALUE OF ITS UTILITY PLANT )  
AND PROPERTY AND FOR INCREASES )  
IN ITS RATES AND CHARGES BASED )  
THEREON FOR UTILITY SERVICE BY )  
ITS ANTHEM/AGUA FRIA WASTEWATER )  
DISTRICT, SUN CITY WASTEWATER )  
DISTRICT, AND SUN CITY WEST )  
WASTEWATER DISTRICT )

DOCKET NO. W-01303A-09-0343  
SW-01303A-09-0343

**DIRECT TESTIMONY  
OF  
SHERYL L. HUBBARD  
ON BEHALF OF  
EPCOR WATER ARIZONA, INC.  
SEPTEMBER 8, 2014**

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1 **I. INTRODUCTION AND QUALIFICATIONS**

2 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND TELEPHONE**  
3 **NUMBER.**

4 A. My name is Sheryl L. Hubbard. My business address is 2355 W. Pinnacle Peak Road,  
5 Suite 300, Phoenix, Arizona 85027, and my business phone is (623) 445-2419.

6 **Q. IN WHAT CAPACITY AND BY WHOM ARE YOU EMPLOYED?**

7 A. I am employed by EPCOR Water USA Inc. ("EWUS"), the owner of EPCOR  
8 Water Arizona Inc. ("EWAZ" or "Company") as the Director, Regulatory and  
9 Rates.

10 **Q. PLEASE DESCRIBE YOUR PRIMARY RESPONSIBILITIES FOR THE**  
11 **COMPANY.**

12 A. My primary responsibilities with EWUS are to direct the preparation of rate  
13 applications and other regulatory filings consistent with the applicable regulatory  
14 agency's filing requirements in Arizona and New Mexico. I am also the regulatory  
15 liaison between EWUS and the regulators of EWAZ and EPCOR Water New  
16 Mexico Inc. as well as any public outreach for our customers.

17 **Q. PLEASE DESCRIBE YOUR PROFESSIONAL EXPERIENCE AND EDUCATION.**

18 A. I have been employed by EWUS since the purchase of Arizona American Water Company  
19 in February 2012. I was employed by Arizona American Water Company commencing  
20 in March of 2007.

21 I have more than 30 years of experience in public utility accounting and regulation; 20  
22 years of service with utility regulatory agencies in Michigan and Arizona with the  
23 remainder of time with water and gas utilities in Arizona. During my employment with  
24 the regulatory agencies in Michigan and Arizona, my responsibilities included managing  
25 and preparing revenue requirement calculations for water, steam and electric utilities.  
26  
27

1 My subsequent employment has been with Citizens Communications Company, Arizona  
2 Water Company, Arizona-American Water Company, and now EWUS. My  
3 responsibilities have primarily been in the rates and regulatory areas of all of the utilities,  
4 but I have also been involved in the financial planning and analysis and reporting side of  
5 the business.

6 I have a Masters of Business Administration from the University of Phoenix and a  
7 Bachelor of Arts degree with a major in Accounting from Michigan State University. I  
8 am a licensed, certified public accountant in the states of Arizona and Michigan. I am a  
9 member of the Arizona Society of Certified Public Accountants and the American  
10 Institute of Public Accountants.

11 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?**

12 A. Yes, on many occasions. I have also testified before other regulatory commissions in  
13 various jurisdictions.

14 **II. PURPOSE OF TESTIMONY**

15 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS CASE?**

16 A. The purpose of my direct testimony is to provide specific information relating to the three  
17 consolidation/deconsolidation scenarios set forth in the Arizona Corporation  
18 Commission's ("ACC" or "Commission") Decision No. 74588.

19 **III. BACKGROUND**

20 **Q. PLEASE PROVIDE SOME BACKGROUND AS TO THE INITIATION OF THIS**  
21 **PROCEEDING.**

22 On July 8, 2014, in response to customer complaints and petitions regarding the  
23 Company's Agua Fria district's rates and charges for water and wastewater  
24 services, the Commission's Utilities Division Staff docketed a memorandum and  
25 proposed form of order for the Commission's consideration ("Staff's  
26 Memorandum"). The Commission then adopted Staff's proposed form of order as  
27 set forth in Staff's Memorandum, with certain amendments, in Decision No. 74588.

1 As noted in the Decision and Staff's Memorandum, EWAZ's present rates and  
2 customer bills comply with approved Commission orders. The rates that are the  
3 subject matter of the Agua Fria customer filings are rates that have been authorized  
4 by the Commission.

5 The current rates in the Company's Agua Fria Wastewater District arose from two  
6 decisions. In Decision No. 72047 (Jan. 6, 2011), the Commission approved a rate  
7 increase for the Anthem/Agua Fria Wastewater District. As part of that decision,  
8 which resulted in part from a settlement agreement, the Commission left open the  
9 docket to consider de-consolidation of the Anthem/Agua Fria Wastewater District.  
10 Following an extensive hearing in which multiple parties participated, including the  
11 Russell Ranch Homeowners Association and the Corte Bella Country Club  
12 Association, the Commission issued Decision No. 73227 (June 5, 2012), which  
13 ordered the de-consolidation of the Anthem/Agua Fria wastewater district into two  
14 districts. New rates based on this de-consolidation were ordered to be phased-in  
15 over three years, with the final phase occurring on January 1, 2015.

16 As such, EWAZ's next rate case for these districts could not occur until after June  
17 30, 2015, which would be the earliest test year end date (*i.e.*, six months after the  
18 commencement of the last phase of these rates). This requirement to wait until six  
19 months after the commencement of new rates is a standard requirement that has  
20 been imposed by Commission Staff to improve the accuracy of reflecting the rate  
21 change in the test year revenues.

22 **Q. IS IT YOUR UNDERSTANDING THAT THIS PROCEEDING WILL**  
23 **PROCEED UNDER A.R.S. § 40-252?**

24 **A.** Yes, that is my understanding. The Company's August 8, 2014 filing argued that  
25 the proceeding had already commenced under that statute. As a revenue-neutral  
26 examination of rate design for its wastewater districts, the Company continues to  
27

1 believe that a rate case is not required and that under the Commission's current  
2 orders, a rate case could not proceed at this time.

3 **IV. CONSOLIDATION/DECONSOLIDATION SCENARIOS**

4 **A. FULL CONSOLIDATION**

5 **Q. DID THE COMMISSION REQUIRE THE COMPANY TO EXAMINE**  
6 **FULL CONSOLIDATION OF ALL OF ITS WASTEWATER DISTRICTS?**

7 A. Yes, in Decision No. 74588, the Commission ordered the Company to provide a  
8 discussion and analysis of full consolidation of its wastewater districts.

9 **Q. WHAT IS THE COMPANY'S POSITION REGARDING FULL**  
10 **CONSOLIDATION?**

11 A. The Company continues to support full consolidation of its wastewater districts as  
12 the best long-term solution. The districts affected are Anthem Wastewater, Agua  
13 Fria Wastewater, Sun City Wastewater, Sun City West Wastewater, and Mohave  
14 Wastewater districts. Mr. Shawn Bradford has provided the details of the  
15 Company's position in his Direct Testimony.

16 **Q. HAS THE COMPANY PREPARED SCHEDULES SETTING FORTH ITS**  
17 **PROPOSED CHANGES TO RATE DESIGN TO ACCOMPLISH FULL**  
18 **CONSOLIDATION?**

19 A. Yes, those schedules are set forth in Exhibit SLH-1 to my Direct Testimony.

20 **Q. HAS THE COMPANY ALSO PREPARED AN EXHIBIT SHOWING THE**  
21 **CURRENT RATES SCHEDULES AND HOW THOSE WERE COMBINED**  
22 **INTO THE PROPOSED RATES SCHEDULES?**

23 A. Yes. Exhibit SLH-2 is a summary of the rate schedules currently used by EWAZ  
24 to bill its wastewater customers for all classes. These rate schedules are the same  
25 rate schedules summarized on the Company's H-Schedules submitted in the last  
26 rate case for each of the districts except for Mohave Wastewater's rate schedules  
27 which reflects the rate schedules in the H-Schedules in the pending rate case.



1 In addition to the rate schedules, Exhibit SLH-2 shows the number of billing units  
2 by each rate schedule. The number of billing units are used in the calculation of  
3 the Company's proposed flat rates for each new commercial rate schedule.

4 In addition to the identification of the individual district's rate schedules, Exhibit  
5 SLH-2 sets forth the manner in which the individual rate schedules were  
6 consolidated. For example, the single unit commercial rate class is a combination  
7 of all of the single unit commercial rates shown on lines 10 -14 and lines 18-24,  
8 inclusive.

9 **Q. PLEASE DESCRIBE THE PROPOSED RATE DESIGN.**

10 A. Under the Company's full consolidation scenario, the proposed rate design  
11 condenses the current rate designs of the five districts into nine proposed rate  
12 classes. Currently, the five districts all have a different number of rate schedules  
13 varying in quantity from 6 to 25 different rate schedules. Exhibit SLH-1 sets forth  
14 the nine proposed rate schedules under the Company's full consolidation scenario.  
15 The new rate schedules focus on customer class and include: one residential rate,  
16 five commercial rates, one rate schedule for the Other Public Authority class, one  
17 rate schedule for Other Wholesale Users ("OWU"), and one rate schedule for  
18 Effluent customers.

19 **Q. PLEASE DISCUSS THE PRESENT RATE STRUCTURES OF THE**  
20 **RESIDENTIAL CLASS OF CUSTOMERS IN THE FIVE WASTEWATER**  
21 **DISTRICTS.**

22 A. Currently, the residential rates in Sun City Wastewater and Sun City West  
23 Wastewater districts are flat rates, which means the monthly charge to residential  
24 customers is the same every month. The flat rate is billed on a number of units  
25 basis in order to assess individual dwelling units and multi-unit dwellings an equal  
26 charge per residential unit where service is provided.

1 Mohave Wastewater residential rates are also flat rates, but the flat rate charge is  
2 applied on an equivalent residential unit basis which is another method of enabling  
3 different rates to residential customers based upon the demand that the residential  
4 unit places on the wastewater system.

5 The residential rates in Anthem Wastewater and Agua Fria Wastewater have a  
6 basic monthly service charge component (a flat rate per month) plus a volumetric  
7 charge based on the customer's water usage up to a maximum water usage of 7,000  
8 gallons of water each month.

9 **Q. HOW IS THE COMPANY PROPOSING TO COMBINE THESE**  
10 **DIFFERING RATE DESIGNS FOR THE RESIDENTIAL CLASS OF**  
11 **CUSTOMERS?**

12 A. Rate design is an exercise of allocating a revenue requirement among customers.  
13 Using the billing determinants in the last rate case for Anthem Wastewater, Agua  
14 Fria Wastewater, Sun City Wastewater, Sun City West Wastewater, and the billing  
15 determinants in the pending Mohave Wastewater case, the Company's proposal  
16 combines the revenue of the single unit residential customers of all the wastewater  
17 districts and combines all single unit residential billing "units" of all of the  
18 wastewater districts to identify a cost per single unit. This rate per single  
19 residential unit was calculated to be \$34.30. This per unit rate of \$34.30 was then  
20 applied to the multi-unit residential customers to keep that rate consistent with the  
21 present rate design.

22 **Q. PLEASE DISCUSS THE PRESENT RATE STRUCTURES OF THE**  
23 **COMMERCIAL CLASS OF CUSTOMERS IN THE FIVE WASTEWATER**  
24 **DISTRICTS.**

25 A. Commercial customers in all five districts have a rate design comprised of a fixed  
26 component (basic service charge) and a volumetric component applied to the entire  
27 monthly water usage of the commercial customer. In the Mohave Wastewater

1 district, there is also a class of commercial customers on a flat monthly rate which  
2 is applied to an equivalent residential units ("ERU") factor per customer.

3 **Q. HOW IS THE COMPANY PROPOSING TO COMBINE THESE**  
4 **DIFFERING RATE DESIGNS FOR THE COMMERCIAL CLASS OF**  
5 **CUSTOMERS?**

6 A. As with the residential class, the total revenue and billing determinants from the  
7 commercial rate schedules in the last rate case for the Anthem Wastewater, Agua  
8 Fria Wastewater, Sun City Wastewater, and Sun City West Wastewater districts,  
9 and the pending rate case for the Mohave Wastewater district were used to  
10 determine a consolidated rate to be proposed in this proceeding. More importantly,  
11 however, is the basis used by the Company to combine the present commercial rate  
12 schedules into the rate schedules that are proposed in this proceeding.

13 **Q. HAS THE COMPANY PREPARED A SUMMARY THAT SHOWS HOW**  
14 **THE PRESENT COMMERCIAL RATES HAVE BEEN COMBINED INTO**  
15 **THE PROPOSED RATES?**

16 A. The present rate schedules by district are summarized on Exhibit SLH-2 which also  
17 shows the grouping of rate schedules into each proposed customer class.

18 **Q. PLEASE PROVIDE A SUMMARY OF THE PROPOSED COMMERCIAL**  
19 **RATE SCHEDULES.**

20 A. The Company's proposed consolidated commercial rate schedules and associated  
21 proposed rates are summarized in Table 1 below.

22 Table 1. Summary of Proposed Commercial Rates

	Flat Rate per Unit <sup>1</sup>
23	
24 1 Commercial	
25 2 Single Unit	\$ 81.59
26 3 Multi-Unit	\$ 301.00
27 4 Large User (Meter ≥2")	\$ 394.00
5 Mobile Home Parks (Paradise Park)	\$ 13,416.00
6 Mohave Commercial-Flat (Mohave ONLY)	\$ 83.00

1  
2           <sup>1</sup> Mohave bills on an Equivalent Residential Unit (ERUs)  
3           basis instead of Units. Rates for Mohave Commercial  
4           customers are per ERU.

5           Table 2 above shows that the Company is proposing flat monthly commercial rates  
6           for Single Unit commercial customers, Multi-unit commercial customers, Large  
7           Users using meters 2-inch and larger, a special rate for a mobile home park in the  
8           Sun City Wastewater district, and a rate per ERU to be used in the Mohave  
9           Wastewater district only.

10       **Q. PLEASE EXPLAIN THE RATIONALE FOR A SPECIAL RATE FOR A**  
11       **MOBILE HOME PARK IN SUN CITY WASTEWATER DISTRICT AND A**  
12       **RATE PER ERU FOR THE MOHAVE WASTEWATER DISTRICT.**

13       A. The mobile home park in Sun City Wastewater district is presently billed on a  
14       unique type of rate that did not lend itself to being combined with other commercial  
15       rates. For purposes of this rate design exercise, the Company thought it best to  
16       create a flat rate for this customer that captures the same revenue as the flat rate of  
17       \$8,711 per month plus a volumetric rate applied to all water consumed.

18       In the case of the Mohave commercial customers, the billing system is currently  
19       programmed for billing per ERU and as an interim solution the Company is  
20       proposing to maintain that setup in its billing system.

21       **Q. PLEASE DISCUSS THE CALCULATION OF THE OTHER PUBLIC**  
22       **AUTHORITY (MOHAVE ONLY) RATE SHOWN ON EXHIBIT SLH-1.**

23       A. Mohave Wastewater district is the only district that has an Other Public Authority  
24       rate class and the present rate is a flat rate based on ERUs. The Company's  
25       proposal in this proceeding is computed to maintain that rate class and rate design  
26       using the billing determinants and proposed revenue in the Company's proposal in  
27

1 the pending Mohave rate case. The flat rate proposed in that case and in this  
2 proceeding is \$82.79 per ERU.

3 **Q. ON EXHIBIT SLH-2, THE COMPANY IS RECOMMENDING A RATE OF**  
4 **\$4.29 PER THOUSAND GALLONS OF FLUME FLOW FOR THE OTHER**  
5 **WHOLESALE USER ("OWU") RATE-CITY OF PHOENIX. PLEASE**  
6 **EXPLAIN THIS PARTICULAR RATE DESIGN.**

7 A. The Company treats the wastewater flows from the City of Phoenix in the Anthem  
8 Wastewater District. The present rate approved by the ACC is a volumetric rate  
9 based on water wheeled to the City of Phoenix through an interconnect between the  
10 two entities. The Company's proposal to change from a volumetric rate based on  
11 the wheeled water to using the wastewater flume flow is consistent with its  
12 proposal for all of the rates to move away from water-usage based rates. The  
13 Company measures the flume flow and, as such, this is a more appropriate basis  
14 upon which to compute the rate in this proceeding. Using the most recent 12  
15 months of flume flow, the Company is proposing the \$4.29 per thousand gallons  
16 shown on Exhibit SLH-1 which will keep the City of Phoenix's contribution to the  
17 revenue requirement the same as was determined in the Anthem Wastewater  
18 District's last rate case.

19 **Q. PLEASE DISCUSS THE COMPANY'S PROPOSED EFFLUENT RATE OF**  
20 **\$0.76 PER THOUSAND GALLONS SHOWN ON EXHIBIT SLH-1.**

21 A. At the time of the drafting of this testimony, only the Anthem Wastewater, Agua  
22 Fria Wastewater, and Mohave Wastewater districts have arrangements to sell  
23 treated effluent resulting from the wastewater treatment process. The volumes of  
24 effluent sales in the last rate case for Anthem Wastewater and Agua Fria  
25 Wastewater have been combined in the determination of total consumption as well  
26 as the effluent sales by the Mohave Wastewater district included in the test year  
27 billing determinants in the pending Mohave Wastewater rate case. From this

1 consumption, a rate per thousand gallons of \$0.76 was calculated. The present  
2 Mohave Wastewater tariff rate is \$227 per acre foot. The proposed rate of \$0.76  
3 per thousand gallons, when converted to a rate per acre foot is equivalent to  
4 \$249.11 per acre foot

5 **Q. ARE THE REVENUE FROM THE SALES OF EFFLUENT INCLUDED AS**  
6 **AN OFFSET TO THE REVENUE REQUIREMENTS IN THE**  
7 **WASTEWATER DISTRICTS?**

8 A. Effluent sales have historically been included in the tariffs of the water district, but  
9 in the pending Mohave Wastewater district rate case, the Company has proposed to  
10 include the revenues in the wastewater district's operating income. In that the  
11 Company holds both the water and the wastewater CC&Ns for the subject area, and  
12 to allow for more transparent rate setting for the sale of effluent within that area,  
13 EWAZ is proposing that effluent sales within the area be subject to an effluent rate  
14 tariff for the Mohave Wastewater District. I would note that, by making this  
15 proposal, the Company is not waiving any rights it has under its Mohave Water  
16 District CC&N to be the exclusive water provider in the area subject to that CC&N.  
17 In the case of the Agua Fria Wastewater and Anthem Wastewater districts, the  
18 effluent revenue are still included in the water districts.

19 **Q. HOW DO THE COMPANY'S PROPOSED RATES COMPARE TO THE**  
20 **RATES CURRENTLY IN EFFECT FOR EACH OF THE WASTEWATER**  
21 **DISTRICTS?**

22 A. A comparison of the present rates to the proposed consolidated rates is shown in  
23 Exhibit SLH-3.

24 **Q. PLEASE EXPLAIN EXHIBIT SLH-3.**

25 A. Exhibit SLH-3 is a 5-page exhibit consisting of Schedule H-3s for each of the  
26 wastewater districts. Schedule H-3 summarizes the present and proposed rates  
27 resulting from the rate design recommendations in this proceeding. For purposes

of this rate design review, the present rates reflect the final phase-in of the deconsolidation rates for the Anthem and Agua Fria Wastewater districts resulting from Decision No. 73227, issued June 5, 2012 and scheduled to go into effect on January 1, 2015. For Sun City and Sun City West Wastewater districts, the present rates reflect the rates resulting from Decision No. 72047 issued January 6, 2011. For the Mohave Wastewater district, the present rates reflect the Company's pending request in Docket No. WS-01303A-14-0010.

**Q. HAS THE COMPANY ALSO PREPARED SCHEDULE H-4s FOR EACH OF THE WASTEWATER DISTRICTS?**

A. Yes. Exhibit SLH-4 is comprised of the H-4 schedules for each district. Schedule H-4s provide a bill comparison at proposed rates by each existing rate schedule. The Schedule H-4s will enable customers to determine what the impact of the proposed consolidation rates will be on their individual rate schedule and in the districts that have a volumetric component to their present rate, the Schedule H-4 will provide the impact of the proposed consolidation rates on the customer's individual usage in thousand gallon increments.

**Q. FOR PURPOSES OF DETERMINING THE PROPOSED RATE DESIGN UNDER A SCENARIO OF FULL CONSOLIDATION, THE REVENUE RATE DESIGN FOR THE MOHAVE WASTEWATER DISTRICT IS BASED ON THE COMPANY'S REQUEST IN THE PENDING RATE CASE. HOW WILL THE FINAL RATE DESIGN AUTHORIZED IN THAT PROCEEDING BE RECOGNIZED UNDER THE COMPANY'S CONSOLIDATION PROPOSAL?**

A. Upon issuance of a decision in the pending Mohave Wastewater rate case, the effects of any difference in the revenue requirement will form the basis of a true-up to the rates adopted in this proceeding if full consolidation is approved by the Commission.

1 **Q. WHAT PROCEDURE IS THE COMPANY PROPOSING TO USE TO**  
2 **MAKE THIS TRUE-UP ADJUSTMENT IN THE EVENT CONSOLIDATED**  
3 **RATES ARE AUTHORIZED?**

4 A. The best way to reflect the final determination in the pending Mohave Wastewater  
5 district rate case on any rates approved under a full consolidation scenario is to  
6 have the Company make a compliance filing that substitutes the final rate design in  
7 the pending Mohave Wastewater case in place of the rate design included in this  
8 proceeding. From that substitution, adjustments to the affected rates can be  
9 determined and they can be adjusted retroactively to the date of the decision in this  
10 case.

11 **Q. DOES THE COMPANY CONTEMPLATE A PROCESS THAT WOULD**  
12 **ALLOW THE PARTIES IN THIS PROCEEDING AN OPPORTUNITY TO**  
13 **REVIEW THE CALCULATIONS SUGGESTED ABOVE TO**  
14 **INCORPORATE THE FINAL RATE DESIGN OF THE PENDING**  
15 **MOHAVE WASTEWATER DISTRICT RATE CASE?**

16 A. Absolutely. The result of this proceeding will establish a methodology for  
17 consolidating the rates of the five wastewater districts, so substituting the rate  
18 design ultimately authorized in the pending Mohave Wastewater District should  
19 amount to a mathematical exercise. The decision in this proceeding can require the  
20 Company to file their calculation of the true-up within 30 days of the decision in  
21 Docket No. WS-01303A-14-0010, the pending Mohave Wastewater district's rate  
22 proceeding. The decision in this matter can also set a review period for the parties  
23 of 30-days with objections to be filed by the end of that period. The Commission  
24 Staff could also be ordered to submit a report to the Commission upon the parties  
25 approval, at which time a Commission decision can be issued and the adjusted rates  
26 implemented thereafter.  
27



1           **B.     DECONSOLIDATION OF AGUA FRIA WASTEWATER DISTRICT**

2           **Q.     DID THE COMMISSION ALSO ORDER THE COMPANY TO EXAMINE**  
3           **FURTHER DE-CONSOLIDATION.**

4           A.     Yes. In response to the Commission's directive to discuss and provide analysis  
5           demonstrating the rate impacts of full deconsolidation of all systems, the Company  
6           notes that only its Agua Fria Wastewater District would be a candidate for further  
7           deconsolidation. Any further deconsolidation would likely occur among Agua  
8           Fria Wastewater District's three sub-areas of Verrado, Russell Ranch and Northeast  
9           Agua Fria (*i.e.*, Corte Bella, Cross River, Dos Rios and Coldwater Ranch areas).

10          **Q.     WHAT WOULD NEED TO OCCUR TO PROVIDE A FULL ANALYSIS OF**  
11          **DECONSOLIDATION OF THESE AREAS?**

12          A.     Further deconsolidation of the Agua Fria Wastewater District presents a number of  
13          challenging and costly issues. Further deconsolidation of the Agua Fria  
14          Wastewater District requires a separation of the costs of these three sub-areas into  
15          separate utility rate bases as all past costs were recorded in the Agua Fria  
16          Wastewater District's accounting records and no individual componentization was  
17          performed. The same is true for revenues and operating expenses.

18          When plant is constructed, as required by NARUC accounting practices, all project  
19          costs are typically coded to the appropriate operating district along with the  
20          NARUC account number. Since the Agua Fria Wastewater District was  
21          maintained as a separate operating district for accounting purposes, these  
22          capitalized charges are only identifiable as Agua Fria Wastewater assets. The same  
23          is true for operating expenses. This is true of all of the individual districts of the  
24          Company and for other utilities with multiple operating districts.

25          The Agua Fria Wastewater District's Certificates of Convenience and Necessity  
26          (CC&Ns) were granted prior to April, 2003 as discussed in greater detail in the  
27          testimony of Mr. Shawn Bradford. The many extension agreements had terms

1 including contributions and advances with associated refunds. In addition, because  
2 some of the wastewater is treated at the Northwest Valley Regional Water  
3 Reclamation Facility ("NWVRWRF") it required allocations of the common plant  
4 and operating expenses. The original accounting occurred under the ownership of  
5 Citizens Utilities, which was later sold to American Water and is now under  
6 EWAZ's ownership. The accounting has gone through numerous reviews by the  
7 Commission Staff over the years and has been found to be in compliance with  
8 NARUC accounting which is required by the Commission.

9 **Q. HAS THE COMPANY ESTIMATED THE COST TO UNDERTAKE THIS**  
10 **ANALYSIS?**

11 A. Yes, to accurately achieve deconsolidation of these districts, EWAZ estimates that  
12 it will cost approximately \$375,000 to create the internal accounting "break outs"  
13 of rate base and expenses for Verrado, Russell Ranch and Northeast Agua Fria.  
14 Subject to future prudence determinations, the additional expenses of this  
15 deconsolidation work would be borne by the customers that are demanding to be  
16 deconsolidated from the larger district as part of a future rate case. Once these  
17 accounting breakouts of rate base, revenues and expenses were completed, the rate  
18 impacts on the residents in each of the impacted communities would need to be  
19 determined. Next, a quantification of the contributions of each of the new "mini-  
20 districts" to the overall Agua Fria Wastewater District's authorized revenue  
21 requirement would need to be performed. In addition, the authorized revenue  
22 requirement from Decision No. 73227 would need to be reconstructed to segregate  
23 the plant investment and operating expenses associated with the 32% allocated  
24 share of the NWVRWRF. Additionally, the impact of the deconsolidation on the  
25 sub-area of the Agua Fria Wastewater District that has its wastewater treated at the  
26 NWVRWRF would need to be assessed along with the Sun City West Wastewater  
27

1 investments and operating expenses as those costs would now likely be apportioned  
2 to the Sun City West Wastewater District under a scenario of full deconsolidation.

3 **Q. PLEASE EXPLAIN WHAT THE PROCESS WOULD BE TO PERFORM**  
4 **THE ACCOUNTING "BREAK OUTS" THE COMPANY SAYS IS**  
5 **REQUIRED TO ADEQUATELY DE-CONSOLIDATE THE AGUA FRIA**  
6 **SUB-AREAS.**

7 **A.** Further deconsolidation of the Agua Fria Wastewater District presents a number of  
8 challenging and costly issues including a separation of the historical infrastructure  
9 costs of the three sub-areas (Northeast Agua Fria, Verrado and Russell Ranch) into  
10 separate utility rate bases. The historical costs of the infrastructure and facilities  
11 were charged to the one district and were not segregated to identify which facilities  
12 were installed in each community or sub-area within the Agua Fria Wastewater  
13 District. Developer contributions and advances were also charged to the one district  
14 and not to the separate sub-areas. Revenues and operating costs are also accounted  
15 for in the same manner.  
16

17  
18 When plant is constructed, all project costs are typically coded to the appropriate  
19 operating district along with the NARUC account number. Since the Agua Fria  
20 Wastewater District was maintained as a separate operating district for accounting  
21 purposes, these capitalized charges are only identifiable as Agua Fria Wastewater  
22 assets.  
23

24 The Agua Fria Wastewater District's certificates of convenience and necessity  
25 (CC&Ns) were granted prior to April, 2003. The development agreements that  
26 were entered into with developers had terms that included refunds of the developer  
27

1 contributions and advances over time. When these refunds were made, they were  
2 charged to a single district as there was no need to further segregate them by  
3 development or community in the accounting records. In addition, the original  
4 accounting occurred under the ownership of Citizens Utilities which sold its assets  
5 to Arizona-American Water Company , now known as EWAZ. Each of the three  
6 ownership groups (Citizens Utilities, American Water and now EWAZ) maintained  
7 their accounting records under different software systems (SAP, JDEdwards, and  
8 ORACLE, respectively).  
9

10  
11 The operating costs for the facilities in each community within the Agua Fria  
12 district are also coded to one district, as has been the practice since the facilities  
13 began operation. In order to accurately determine the cost of operation for each  
14 community within the district, these costs would have to be reviewed to determine  
15 which community should bear the appropriate expense amount for operating and  
16 maintaining the facilities in its territory.  
17

18 The accounting has gone through numerous reviews by the Commission Staff over  
19 the years and has been found to be in compliance with NARUC accounting.  
20

21 However, that does not reduce the amount of effort to accurately identify and  
22 segregate the costs to determine the appropriate rate base and income and expenses  
23 of each sub-area. In addition, some of the wastewater flows are treated at the  
24 NWVRWRF which requires allocations of the common plant and operating  
25 expenses associated with the treatment plant into the Agua Fria district.  
26  
27

1 **Q. HOW LONG WOULD THAT PROCESS TAKE?**

2 A. The process to segregate all of the construction costs and advances and  
3 contributions related to each sub-area within the Agua Fria Wastewater District  
4 could take anywhere from six months to one year due to the magnitude of the  
5 number of work orders and the number of years of data that are involved. The Agua  
6 Fria Wastewater district has evolved into the current district since the CC&N  
7 extension encompassing the Verrado sub-area discussed in the testimony of Mr.  
8 Shawn Bradford which was authorized by the ACC in late 2001. Subsequent to  
9 that time, additional development in the Russell Ranch sub-area and the Northeast  
10 Agua Fria sub-area has continued well into 2012 and continues to this day. All of  
11 these areas have included developer funding through advances in aid of  
12 construction ("AIAC") and contributions in aid of construction ("CIAC"). The  
13 identification of the AIAC and CIAC and the associated level of refunding of  
14 AIAC is an important element to accurately quantify each sub-area's rate base to be  
15 used to determine the rate impacts for each sub-area.

16 **Q. FOR PURPOSES OF THIS PROCEEDING, HAS THE COMPANY**  
17 **PERFORMED AN ANALYSIS OF THE POSSIBLE IMPACTS OF**  
18 **FURTHER DECONSOLIDATION ON CUSTOMER RATES?**

19 A. Yes. Based upon the limitations discussed above, the Company has prepared a  
20 very rough calculation of the impact of further deconsolidation which is set forth in  
21 Exhibit SLH-5.

22 **Q. WHAT DOES THAT ANALYSIS SHOW?**

23 A. It is very important to recognize that the analysis is very high level and is not  
24 intended to provide the same results that would be obtained after the exercise to  
25 break out the accounting information in a more thorough manner as discussed  
26 above. Instead, it attempts to allocate the total cost of service authorized in the  
27 Agua Fria Wastewater District's last rate case to the sub-areas on the basis of

1 Company-funded plant construction costs alone. It is my opinion that the use of  
2 Company-funded plant construction costs eliminates some of the underlying issues  
3 associated with AIAC and CIAC and the passage of time.

4 Exhibit SLH-5 shows the results of this high level attempt to deconsolidate the sub-  
5 areas of the Agua Fria Wastewater District into a Verrado sub-area, a Northeast  
6 Agua Fria sub-area and a Russell Ranch sub-area.

7 When the Rate Base is allocated among the three sub-areas on the basis of the  
8 Company-funded plant construction costs, the resulting allocation of Rate Base is  
9 summarized in Table 2 below.

10 Table 2. Summary of Exhibit SLH-5 Full De-consolidation of Agua Fria WW

11

Sub Area	Rate Base	Operating Income (Loss)	Revenue Requirement	Cost per Customer
Verrado	\$ 12,050,468	\$ (548,068)	\$ 3,751,083	\$ 121.31
Northeast Agua Fria	\$ 7,097,062	\$ (391,818)	\$ 2,513,248	\$ 113.69
Russell Ranch	\$ -	\$ (33,380)	\$ 147,021	\$ 78.07
Total	\$ 19,147,531	\$ (973,265)	\$ 6,411,352	\$ 116.76

18

19 **Q. WHAT ALLOCATION BASIS HAVE YOU USED TO ALLOCATE THE**  
20 **OPERATING INCOME (LOSS) DETERMINED IN THE LAST RATE**  
21 **CASE FOR THE AGUA FRIA WASTEWATER DISTRICT?**

22 A. Because a vast majority of the operating costs are variable based on the number of  
23 customers served, the Operating Income (Loss) was allocated using the number of  
24 customers that existed at the time of the last rate case. The results of that allocation  
25 are also set forth on Table 2 above.

1 **Q. AFTER DETERMINING THE REVENUE REQUIREMENTS OF EACH**  
2 **SUB-AREA, WAS THE RATE DESIGN BASED ON THE TEST YEAR**  
3 **CUSTOMER COUNT FROM THE LAST RATE CASE?**

4 A. Yes. For purposes of this high level, very rough analysis, the recovery of the  
5 apportioned revenue requirement for each sub-area was computed using the total  
6 number of customers during the test year in the last rate case for Agua Fria  
7 Wastewater District based on an estimation of the number of customers in each  
8 sub-area. The resulting cost per customer is shown on Table 2 above.

9 **C. RE-CONSOLIDATION OF ANTHEM / AGUA FRIA WASTEWATER**  
10 **DISTRICTS**

11 **Q. WHAT IS THE THIRD SCENARIO REQUIRED BY THE COMMISSION?**

12 A. The third and final scenario is the re-consolidation of the Anthem and Agua Fria  
13 Wastewater Districts. A re-consolidation of these districts would effectively return  
14 wastewater rates in the reconsolidated district to those approved by the  
15 Commission in Decision No. 72047.

16 **Q. WHAT IS THE CUSTOMER IMPACT OF RE-CONSOLIDATION?**

17 A. Re-consolidation would increase wastewater rates currently paid by customers in  
18 the Anthem Wastewater District and reduce the rates currently paid by Agua Fria  
19 Wastewater District customers. Average residential rates for customers using  
20 approximately 7,000 gallons of water are currently \$106 for Agua Fria customers  
21 and \$64 for Anthem customers. These average rates will increase January 1, 2015  
22 to \$121 for Agua Fria customers and decrease to \$56 for Anthem customers.  
23 Under the reconsolidation scenario below, average residential customer rates for  
24 customers using approximately 7,000 gallons would be approximately \$75.  
25 A comparison of the rates for residential customers under a scenario of re-  
26 consolidation of the Anthem Wastewater and Agua Fria Wastewater Districts is set  
27 forth in Table 3. below:

Table 3. Re-consolidated Rates for Anthem WW and Agua Fria WW Districts

District	Present Monthly Usage Charge	Present Volumetric Rate (per 1000 gallons up to 7000 gallons)	Phase 3 Monthly Usage Charge	Phase 3 Volumetric Rate(per 1000 gallons up to 7000)	Re-consolidated Monthly Charge	Re-consolidated Volumetric Rate (per 1000 gallons up to 7000 gallons)
Anthem	\$33.28	\$4.3587	\$30.00	\$3.7500	\$39.84	\$4.9946
Agua Fria	\$57.36	\$6.9782	\$66.12	\$7.9700	\$39.84	\$4.9946

Further analysis of the re-consolidation of these districts is set forth in Exhibit SLH-6.

**Q. PLEASE EXPLAIN EXHIBIT SLH-6.**

A. Exhibit SLH-6 is a summary of the rate schedules that exist in the present rates of the Anthem Wastewater and Agua Fria Wastewater districts as they would be combined to return the Anthem Wastewater and Agua Fria Wastewater districts to a consolidated district. The end result returns the two de-consolidated districts back to the rate design that existed in Decision No. 72074 issued January 6, 2011 before the ACC ordered the two districts to be de-consolidated.

**Q. DOES THAT COMPLETE YOUR DIRECT TESTIMONY IN THIS PROCEEDING?**

A. Yes, it does.



**EXHIBIT SLH- 1**

Wastewater District Rate Design Proceeding

**Consolidation Scenario**

	Total Authorized Revenue	Total # of Billing Units	Total Consumption (Kgals)	Flat Rate Per Billing Unit <sup>1</sup>
1 Residential (Single and Multi-Unit)	\$ 25,792,489	751,604	870,371	\$ 34.30
2				
3 Commercial				
4 Single Unit	906,934	11,259	229,898	\$ 81.59
5 Multi-Unit	169,877	564	94,212	\$ 301.00
6 Large User (Meter ≥ 2")	665,981	1,692	107,224	\$ 394.00
7 Mobile Home Parks (Paradise Park)	160,998	12	30,079	\$ 13,416.00
8 Commercial-Flat (Mohave ONLY)	14,902	180	0	\$ 83.00
9				
10 Other Public Authority-Flat (Mohave ONLY)	12,915	156	0	\$ 82.79
11				
12 Other Wholesale Users - City of Phoenix	792,489	24	184,710	<sup>2</sup> \$ 4.29
13				
14 Effluent (AF, AN, MO ONLY)	631,157	632	825,559	<sup>3</sup> \$ 0.76
15				
16 Totals	<u>\$ 29,147,741</u>	<u>766,124</u>	<u>2,342,054</u>	

<sup>1</sup> Mohave bills on an Equivalent Residential Unit (ERUs) basis instead of Units. Rates for Mohave Commercial and Other Public Authority customers are per ERU.

<sup>2</sup> Rate per thousand gallons of flume flow versus water consumed.

<sup>3</sup> Rate per thousand gallons consumed

**EXHIBIT SLH- 2**

[illegible]

**EXHIBIT SLH- 3**

Exhibit SLH-3  
Page 1 of 5

[illegible]

Docket No: W-01303A-09-0343; SW-01303A-09-0343

Exhibit SLH-4  
Page 2 of 5

Line No.	Rate Schedule	Description	Block	Base Charge			Volume Charge		
				Step 3 Rate	Proposed Rate	Change	Step 3 Rate	Proposed Rate	Change
1	E1MS1	Anthem Sewer Residential	First 7,000 gals. Over 7,000 gals.	\$ 30.00	\$ 34.30	\$ 4.30	\$ 3.7500	\$ -	\$ (3.7500)
2							\$ -		
3	E2MS1	Anthem Sewer Commercial 5/8"	First 10,000 gals. Over 10,000 gals.	\$ 30.00	\$ 81.59	\$ 51.59	\$ 3.7500	\$ -	\$ (3.7500)
4							\$ -		
5	E2MS2	Anthem Sewer Commercial 3/4"	First 15,000 gals. Over 15,000 gals.	\$ 45.00	\$ 81.59	\$ 36.59	\$ 3.7500	\$ -	\$ (3.7500)
6							\$ -		
7	E2MS3	Anthem Sewer Commercial 1"	First 15,000 gals. Over 15,000 gals.	\$ 60.06	\$ 81.59	\$ 21.53	\$ 3.7500	\$ -	\$ (3.7500)
8							\$ -		
9	E2MS4	Anthem Sewer Commercial LG	All Usage	\$ 120.09	\$ 394.00	\$ 273.91	\$ 3.7500	\$ -	\$ (3.7500)
10	E5M2	Anthem Wholesale (Phoenix) OWU	All Usage	\$ -	\$ -	\$ -	\$ 3.4200	\$ 4.2900	\$ 0.8700
11	D7M1	Anthem Effluent		\$ -	\$ -	\$ -	\$ 0.7700	\$ 0.7600	\$ (0.0100)
12	D7M2	Anthem Effluent - Const		\$ -	\$ -	\$ -	\$ 0.7700	\$ 0.7600	\$ (0.0100)
13									
14									
1		Step 3 Rate applied to water consumed and Proposed Rate is applied to wastewater flume flow.							

**EPCOR Water AZ Inc. - Mohave Wastewater District**  
Docket No: W-01303A-09-0343; SW-01303A-09-0343  
Present and Proposed Rates

Exhibit SLH-3  
Page 3 of 5

Line No.	Monthly Service Charge for:	Pending Rate Request	Proposed Rates	Dollar Change	
2	Residential (per ERU)	\$ 82.79	\$ 34.30	\$ (48.49)	
3	Commercial (per ERU)	82.79	83.00	0.21	
4	Public Authority (per ERU)	82.79	82.79	0.00	
5	Large Commercial	106.71	394.00	287.29	
6					
7					
8					
9					
10	<u>Commodity Rates (per 1,000 gallons)</u>				
11					
12	Residential (per ERU)				
13	Commercial (per ERU)				
14	Public Authority (per ERU)				
15	Large Commercial				
16					
17					
18	Effluent (per acre foot)				
19					
20					
21					
22					
23					
24					
25					
26					
27					
28					
29					
30					
31					
32					
33					



Line No.	Rate Schedule	Description	Block	Base Charge			Volume Charge		
				Present Rate	Proposed Rate	Change	Present Rate	Proposed Rate	Change
1	A1S1A	Sun City Sewer Residential S Unit 5/8" x 3/4"	Per Unit	\$18.11	\$34.30	16.19	-	\$	-
2	A1S1B	Sun City Sewer Residential Single Unit 1"	Per Unit	\$46.86	\$34.30	(12.56)	-	\$	-
3	A1S1C	Sun City Sewer Residential Single Unit 1 1/2"	Per Unit	\$93.73	\$34.30	(59.43)	-	\$	-
4	A1S1D	Sun City Sewer Residential Single Unit =>2"	Per Unit	\$149.96	\$34.30	(115.66)	-	\$	-
5	A1S1N	Sun City Sewer Residential S Unit Non Water	Per Unit	\$18.11	\$34.30	16.19	-	\$	-
6	A1S2N	Sun City Sewer Residential M Unit All Water	Per Unit	\$18.11	\$34.30	16.19	-	\$	-
7	A1S2N	Sun City Sewer Residential M Unit Non Water	Per Unit	\$18.11	\$34.30	16.19	-	\$	-
8	A2MS2	Sun City Sewer Commercial WC	Per Unit	\$5.64	\$81.59	75.95	-	\$	-
9	A2MS3	Sun City Sewer Commercial DW	Per Unit	\$43.03	\$81.59	38.56	-	\$	-
10	A2MS4	Sun City Sewer Commercial WM	Per Unit	\$10.48	\$81.59	71.11	-	\$	-
11	A2MS5	Sun City Sewer Commercial WR	Per Unit	\$21.31	\$81.59	60.28	-	\$	-
12	A2MS6	Sun City Sewer Commercial RR (Rental Rooms)	Per Unit	\$10.94	\$81.59	70.65	-	\$	-
13	A2MSP	Sun City Sewer Paradise Park IU	All Usage	\$8,711.69	\$13,416.00	4,704.31	1.8770	\$	(1.8770)
14	A2S1A	Sun City Sewer Commercial S Unit 5/8" x 3/4"	First 5,000 gals.	\$9.20	\$81.59	72.39	1.2862	\$	(1.2862)
15			Over 5,000 gals.				-	\$	-
16	A2S1B	Sun City Sewer Commercial S Unit 1"	First 12,500 gals.	\$23.02	\$81.59	58.57	1.2862	\$	(1.2862)
17			Over 12,500 gals.				-	\$	-
18	A2S1C	Sun City Sewer Commercial S Unit 1 1/2"	First 25,000 gals.	\$46.02	\$81.59	35.57	1.2862	\$	(1.2862)
19			Over 25,000 gals.				-	\$	-
20	A2S1D	Sun City Sewer Commercial S Unit 2"	First 40,000 gals.	\$73.63	\$81.59	7.96	1.2862	\$	(1.2862)
21			Over 40,000 gals.				-	\$	-
22	A2S1E	Sun City Sewer Commercial S Unit > 2"	All Usage	\$73.63	\$394.00	320.37	1.2862	\$	(1.2862)
23	A2S1N	Sun City Sewer Commercial single Unit Non Water	Per Unit	\$73.63	\$81.59	7.96	-	\$	-
24	A2S2A	Sun City Sewer Commercial M Unit 5/8" x 3/4"	First 5,000 gals.	\$9.20	\$301.00	291.80	1.2862	\$	(1.2862)
25			Over 5,000 gals.				-	\$	-
26	A2S2B	Sun City Sewer Commercial M Unit1"	First 12,500gals.	\$23.02	\$301.00	277.98	1.2862	\$	(1.2862)
27			Over 12,500 gals.				-	\$	-
28	A2S2C	Sun City Sewer Commercial M Unit 1-1/2"	First 25,000gals.	\$46.02	\$301.00	254.98	1.2862	\$	(1.2862)
29			Over 25,000 gals.				-	\$	-
30	A2S2D	Sun City Sewer Commercial M Unit 2"	First 40,000 gals.	\$73.63	\$301.00	227.37	1.2862	\$	(1.2862)
31			Over 40,000 gals.				-	\$	-
32	A2S2E	Sun City Sewer Commercial M Unit > 2"	All Usage	\$73.63	\$394.00	320.37	1.2862	\$	(1.2862)
33	A2S2N	Sun City Sewer Commercial M Non Water	Per Unit	\$73.44	\$301.00	227.56	-	\$	-
34	A2S7D	Sun City Sewer Commercial Large User => 2"	All Usage	\$73.63	\$394.00	320.37	1.2862	\$	(1.2862)

**EPCOR Water Arizona Inc - Sun City West Wastewater**  
Docket No: W-01303A-09-0343; SW-01303A-09-0343  
Wastewater District Rate Design Proceeding  
Changes in Representative Rate Schedules

Exhibit SLH-3  
Page 5 of 5

Line No.	Rate Schedule	Description	Base Charge			Volume Charge		
			Present Rate	Proposed Rate	Change	Present Rate	Proposed Rate	Change
1	B1S1A	Sun City West Sewer Residential Single 5/8" x 3/4"	\$30.96	\$ 34.30	\$ 3.34	\$ -	\$ -	\$ -
2	B1S1B	Sun City West Sewer Residential Single Unit 1"	\$77.40	\$ 34.30	\$ (43.10)	\$ -	\$ -	\$ -
3	B1S1C	Sun City West Sewer Residential Single Unit 1-1/2"	\$154.79	\$ 34.30	\$ (120.49)	\$ -	\$ -	\$ -
4	B1S1D	Sun City West Sewer Residential Single Unit =>2"	\$247.66	\$ 34.30	\$ (213.36)	\$ -	\$ -	\$ -
5	B1S1N	Sun City West Sewer Residential S Unit Non Water	\$30.96	\$ 34.30	\$ 3.34	\$ -	\$ -	\$ -
6	B1S2A	Sun City West Sewer Residential Multi all Units	\$30.96	\$ 34.30	\$ 3.34	\$ -	\$ -	\$ -
7	B2MS2	Sun City West Sewer Commercial WC - Toilets	\$11.65	\$ 81.59	\$ 69.94	\$ -	\$ -	\$ -
8	B2MS3	Sun City West Sewer Commercial DW - Dish Washers	\$93.42	\$ 81.59	\$ (11.83)	\$ -	\$ -	\$ -
9	B2MS4	Sun City West Sewer Commercial WM - Washing Machines	\$21.80	\$ 81.59	\$ 59.79	\$ -	\$ -	\$ -
10	B2MS5	Sun City West Sewer Commercial WIR - Wash Racks	\$45.67	\$ 81.59	\$ 35.92	\$ -	\$ -	\$ -
11	B2S1A	Sun City West Sewer Commercial Single Unit 5/8" x 3/4"	\$17.65	\$ 81.59	\$ 63.94	\$ -	\$ -	\$ -
12								
13	B2S1B	Sun City West Sewer Commercial Single Unit 1"	\$44.13	\$ 81.59	\$ 37.46	\$ -	\$ -	\$ -
14								
15	B2S1C	Sun City West Sewer Commercial Single Unit 1 1/2"	\$88.27	\$ 81.59	\$ (6.68)	\$ -	\$ -	\$ -
16								
17	B2S1D	Sun City West Sewer Commercial Single Unit 2"	\$141.23	\$ 81.59	\$ (59.64)	\$ -	\$ -	\$ -
18								
19	B2S1E	Sun City West Sewer Commercial Single Unit > 2"	\$141.23	\$ 81.59	\$ (59.64)	\$ -	\$ -	\$ -
20	B2S1N	Sun City West Sewer Commercial Single Unit No Water	\$141.23	\$ 81.59	\$ (59.64)	\$ -	\$ -	\$ -
21	B2S2A	Sun City West Sewer Commercial Multi Unit 5/8" x 3/4"	\$17.65	\$ 301.00	\$ 283.35	\$ -	\$ -	\$ -
22								
23	B2S2B	Sun City West Sewer Commercial Multi Unit 1"	\$44.13	\$ 301.00	\$ 256.87	\$ -	\$ -	\$ -
24								
25	B2S2C	Sun City West Sewer Commercial Multi Unit 1 1/2"	\$88.27	\$ 301.00	\$ 212.73	\$ -	\$ -	\$ -
26								
27	B2S2D	Sun City West Sewer Commercial Multi Unit 2"	\$141.23	\$ 301.00	\$ 159.77	\$ -	\$ -	\$ -
28								
29	B2S2E	Sun City West Sewer Commercial Single Unit > 2"	\$141.23	\$ 301.00	\$ 159.77	\$ -	\$ -	\$ -
30	B2S7D	Sun City West Sewer Commercial Single Unit LU => 2"	\$141.23	\$ 394.00	\$ 252.77	\$ -	\$ -	\$ -

**EXHIBIT SLH- 4**

**EPCOR Water Arizona Inc. - Agua Fria Wastewater**  
Docket No. W-01303A-09-0343; SW-01303A-09-0343  
Test Year Ended December 31, 2008  
Typical Bill Analysis

Line No.	Rate Schedule	Description	Consumption	Typical Bills			Consolidated Increase Amount	Consolidated Increase %
				Step 3 Rates	Consolidated Rates			
1	E1MS1	Agua Fria Sewer Residential	1,000	\$74.09	\$34.30	\$	(39.79)	-53.70%
2	E1MS1	Agua Fria Sewer Residential	2,000	\$82.06	\$34.30	\$	(47.76)	-58.20%
3	E1MS1	Agua Fria Sewer Residential	3,000	\$90.03	\$34.30	\$	(55.73)	-61.90%
4	E1MS1	Agua Fria Sewer Residential	4,000	\$98.00	\$34.30	\$	(63.70)	-65.00%
5	E1MS1	Agua Fria Sewer Residential	5,000	\$105.97	\$34.30	\$	(71.67)	-67.63%
6	E1MS1	Agua Fria Sewer Residential	6,000	\$113.94	\$34.30	\$	(79.64)	-69.90%
7	E1MS1	Agua Fria Sewer Residential	7,000	\$121.91	\$34.30	\$	(87.61)	-71.86%
8	E1MS1	Agua Fria Sewer Residential	8,000	\$121.91	\$34.30	\$	(87.61)	-71.86%
9	E1MS1	Agua Fria Sewer Residential	9,000	\$121.91	\$34.30	\$	(87.61)	-71.86%
10	E1MS1	Agua Fria Sewer Residential	10,000	\$121.91	\$34.30	\$	(87.61)	-71.86%
11	E1MS1	Agua Fria Sewer Residential	11,000	\$121.91	\$34.30	\$	(87.61)	-71.86%
12	E1MS1	Agua Fria Sewer Residential	12,000	\$121.91	\$34.30	\$	(87.61)	-71.86%
13	E1MS1	Agua Fria Sewer Residential	13,000	\$121.91	\$34.30	\$	(87.61)	-71.86%
14	E1MS1	Agua Fria Sewer Residential	14,000	\$121.91	\$34.30	\$	(87.61)	-71.86%
15	E1MS1	Agua Fria Sewer Residential	15,000	\$121.91	\$34.30	\$	(87.61)	-71.86%
16	E1MS1	Agua Fria Sewer Residential	16,000	\$121.91	\$34.30	\$	(87.61)	-71.86%
17	E1MS1	Agua Fria Sewer Residential	17,000	\$121.91	\$34.30	\$	(87.61)	-71.86%
18	E1MS1	Agua Fria Sewer Residential	18,000	\$121.91	\$34.30	\$	(87.61)	-71.86%
19	E1MS1	Agua Fria Sewer Residential	19,000	\$121.91	\$34.30	\$	(87.61)	-71.86%
20	E1MS1	Agua Fria Sewer Residential	20,000	\$121.91	\$34.30	\$	(87.61)	-71.86%
21	E1MS1	Agua Fria Sewer Residential	21,000	\$121.91	\$34.30	\$	(87.61)	-71.86%
22	E1MS1	Agua Fria Sewer Residential	22,000	\$121.91	\$34.30	\$	(87.61)	-71.86%
23	E1MS1	Agua Fria Sewer Residential	23,000	\$121.91	\$34.30	\$	(87.61)	-71.86%
24	E1MS1	Agua Fria Sewer Residential	24,000	\$121.91	\$34.30	\$	(87.61)	-71.86%
25	E1MS1	Agua Fria Sewer Residential	25,000	\$121.91	\$34.30	\$	(87.61)	-71.86%
26	E1MS1	Agua Fria Sewer Residential	26,000	\$121.91	\$34.30	\$	(87.61)	-71.86%
27	E1MS1	Agua Fria Sewer Residential	27,000	\$121.91	\$34.30	\$	(87.61)	-71.86%
28	E1MS1	Agua Fria Sewer Residential	28,000	\$121.91	\$34.30	\$	(87.61)	-71.86%
29	E1MS1	Agua Fria Sewer Residential	29,000	\$121.91	\$34.30	\$	(87.61)	-71.86%
30	E1MS1	Agua Fria Sewer Residential	30,000	\$121.91	\$34.30	\$	(87.61)	-71.86%
31	E1MS1	Agua Fria Sewer Residential	31,000	\$121.91	\$34.30	\$	(87.61)	-71.86%
32	E1MS1	Agua Fria Sewer Residential	32,000	\$121.91	\$34.30	\$	(87.61)	-71.86%
33	E1MS1	Agua Fria Sewer Residential	33,000	\$121.91	\$34.30	\$	(87.61)	-71.86%
34	E1MS1	Agua Fria Sewer Residential	34,000	\$121.91	\$34.30	\$	(87.61)	-71.86%
35	E1MS1	Agua Fria Sewer Residential	35,000	\$121.91	\$34.30	\$	(87.61)	-71.86%
36	E1MS1	Agua Fria Sewer Residential	36,000	\$121.91	\$34.30	\$	(87.61)	-71.86%
37	E1MS1	Agua Fria Sewer Residential	37,000	\$121.91	\$34.30	\$	(87.61)	-71.86%
38	E1MS1	Agua Fria Sewer Residential	38,000	\$121.91	\$34.30	\$	(87.61)	-71.86%
39	E1MS1	Agua Fria Sewer Residential	39,000	\$121.91	\$34.30	\$	(87.61)	-71.86%
40	E1MS1	Agua Fria Sewer Residential	40,000	\$121.91	\$34.30	\$	(87.61)	-71.86%
41	E1MS1	Agua Fria Sewer Residential	41,000	\$121.91	\$34.30	\$	(87.61)	-71.86%
42	E1MS1	Agua Fria Sewer Residential	42,000	\$121.91	\$34.30	\$	(87.61)	-71.86%
43	E1MS1	Agua Fria Sewer Residential	43,000	\$121.91	\$34.30	\$	(87.61)	-71.86%
44	E1MS1	Agua Fria Sewer Residential	44,000	\$121.91	\$34.30	\$	(87.61)	-71.86%
45	E1MS1	Agua Fria Sewer Residential	45,000	\$121.91	\$34.30	\$	(87.61)	-71.86%
46	E1MS1	Agua Fria Sewer Residential	46,000	\$121.91	\$34.30	\$	(87.61)	-71.86%
47	E1MS1	Agua Fria Sewer Residential	47,000	\$121.91	\$34.30	\$	(87.61)	-71.86%
48	E1MS1	Agua Fria Sewer Residential	48,000	\$121.91	\$34.30	\$	(87.61)	-71.86%
49	E1MS1	Agua Fria Sewer Residential	49,000	\$121.91	\$34.30	\$	(87.61)	-71.86%
50	E1MS1	Agua Fria Sewer Residential	50,000	\$121.91	\$34.30	\$	(87.61)	-71.86%
51	E1MS1	Agua Fria Sewer Residential	51,000	\$121.91	\$34.30	\$	(87.61)	-71.86%
52	E1MS1	Agua Fria Sewer Residential	52,000	\$121.91	\$34.30	\$	(87.61)	-71.86%
53	E1MS1	Agua Fria Sewer Residential	53,000	\$121.91	\$34.30	\$	(87.61)	-71.86%
54	E1MS1	Agua Fria Sewer Residential	54,000	\$121.91	\$34.30	\$	(87.61)	-71.86%
55	E1MS1	Agua Fria Sewer Residential	55,000	\$121.91	\$34.30	\$	(87.61)	-71.86%
56								
57	E1MS1	Agua Fria Sewer Residential	Average: 5,297	\$108.34	\$34.30	\$	(74.04)	-68.34%
58								
59								
60								

**EPCOR Water Arizona Inc - Anthem Wastewater**  
Docket No: W-01303A-09-0343; SW-01303A-09-0343  
Wastewater District Rate Design Proceeding  
Typical Bill Analysis

Line No.	Rate Schedule	Description	Consumption	Typical Bills			Consolidated Increase Amount	Consolidated Increase %
				Step 3 Rates	Consolidated Rates			
1	E1MS1	Anthem Sewer Residential	1,000	\$33.75	\$34.30	\$	0.55	1.63%
2	E1MS1	Anthem Sewer Residential	2,000	\$37.50	\$34.30	\$	(3.20)	-8.53%
3	E1MS1	Anthem Sewer Residential	3,000	\$41.25	\$34.30	\$	(6.95)	-16.85%
4	E1MS1	Anthem Sewer Residential	4,000	\$45.00	\$34.30	\$	(10.70)	-23.78%
5	E1MS1	Anthem Sewer Residential	5,000	\$48.75	\$34.30	\$	(14.45)	-29.64%
6	E1MS1	Anthem Sewer Residential	6,000	\$52.50	\$34.30	\$	(18.20)	-34.67%
7	E1MS1	Anthem Sewer Residential	7,000	\$56.25	\$34.30	\$	(21.95)	-39.02%
8	E1MS1	Anthem Sewer Residential	8,000	\$56.25	\$34.30	\$	(21.95)	-39.02%
9	E1MS1	Anthem Sewer Residential	9,000	\$56.25	\$34.30	\$	(21.95)	-39.02%
10	E1MS1	Anthem Sewer Residential	10,000	\$56.25	\$34.30	\$	(21.95)	-39.02%
11	E1MS1	Anthem Sewer Residential	11,000	\$56.25	\$34.30	\$	(21.95)	-39.02%
12	E1MS1	Anthem Sewer Residential	12,000	\$56.25	\$34.30	\$	(21.95)	-39.02%
13	E1MS1	Anthem Sewer Residential	13,000	\$56.25	\$34.30	\$	(21.95)	-39.02%
14	E1MS1	Anthem Sewer Residential	14,000	\$56.25	\$34.30	\$	(21.95)	-39.02%
15	E1MS1	Anthem Sewer Residential	15,000	\$56.25	\$34.30	\$	(21.95)	-39.02%
16	E1MS1	Anthem Sewer Residential	16,000	\$56.25	\$34.30	\$	(21.95)	-39.02%
17	E1MS1	Anthem Sewer Residential	17,000	\$56.25	\$34.30	\$	(21.95)	-39.02%
18	E1MS1	Anthem Sewer Residential	18,000	\$56.25	\$34.30	\$	(21.95)	-39.02%
19	E1MS1	Anthem Sewer Residential	19,000	\$56.25	\$34.30	\$	(21.95)	-39.02%
20	E1MS1	Anthem Sewer Residential	20,000	\$56.25	\$34.30	\$	(21.95)	-39.02%
21	E1MS1	Anthem Sewer Residential	21,000	\$56.25	\$34.30	\$	(21.95)	-39.02%
22	E1MS1	Anthem Sewer Residential	22,000	\$56.25	\$34.30	\$	(21.95)	-39.02%
23	E1MS1	Anthem Sewer Residential	23,000	\$56.25	\$34.30	\$	(21.95)	-39.02%
24	E1MS1	Anthem Sewer Residential	24,000	\$56.25	\$34.30	\$	(21.95)	-39.02%
25	E1MS1	Anthem Sewer Residential	25,000	\$56.25	\$34.30	\$	(21.95)	-39.02%
26	E1MS1	Anthem Sewer Residential	26,000	\$56.25	\$34.30	\$	(21.95)	-39.02%
27	E1MS1	Anthem Sewer Residential	27,000	\$56.25	\$34.30	\$	(21.95)	-39.02%
28	E1MS1	Anthem Sewer Residential	28,000	\$56.25	\$34.30	\$	(21.95)	-39.02%
29	E1MS1	Anthem Sewer Residential	29,000	\$56.25	\$34.30	\$	(21.95)	-39.02%
30	E1MS1	Anthem Sewer Residential	30,000	\$56.25	\$34.30	\$	(21.95)	-39.02%
31	E1MS1	Anthem Sewer Residential	31,000	\$56.25	\$34.30	\$	(21.95)	-39.02%
32	E1MS1	Anthem Sewer Residential	32,000	\$56.25	\$34.30	\$	(21.95)	-39.02%
33	E1MS1	Anthem Sewer Residential	33,000	\$56.25	\$34.30	\$	(21.95)	-39.02%
34	E1MS1	Anthem Sewer Residential	34,000	\$56.25	\$34.30	\$	(21.95)	-39.02%
35	E1MS1	Anthem Sewer Residential	35,000	\$56.25	\$34.30	\$	(21.95)	-39.02%
36	E1MS1	Anthem Sewer Residential	36,000	\$56.25	\$34.30	\$	(21.95)	-39.02%
37	E1MS1	Anthem Sewer Residential	37,000	\$56.25	\$34.30	\$	(21.95)	-39.02%
38	E1MS1	Anthem Sewer Residential	38,000	\$56.25	\$34.30	\$	(21.95)	-39.02%
39	E1MS1	Anthem Sewer Residential	39,000	\$56.25	\$34.30	\$	(21.95)	-39.02%
40	E1MS1	Anthem Sewer Residential	40,000	\$56.25	\$34.30	\$	(21.95)	-39.02%
41	E1MS1	Anthem Sewer Residential	41,000	\$56.25	\$34.30	\$	(21.95)	-39.02%
42	E1MS1	Anthem Sewer Residential	42,000	\$56.25	\$34.30	\$	(21.95)	-39.02%
43	E1MS1	Anthem Sewer Residential	43,000	\$56.25	\$34.30	\$	(21.95)	-39.02%
44	E1MS1	Anthem Sewer Residential	44,000	\$56.25	\$34.30	\$	(21.95)	-39.02%
45	E1MS1	Anthem Sewer Residential	45,000	\$56.25	\$34.30	\$	(21.95)	-39.02%
46	E1MS1	Anthem Sewer Residential	46,000	\$56.25	\$34.30	\$	(21.95)	-39.02%
47	E1MS1	Anthem Sewer Residential	47,000	\$56.25	\$34.30	\$	(21.95)	-39.02%
48	E1MS1	Anthem Sewer Residential	48,000	\$56.25	\$34.30	\$	(21.95)	-39.02%
49	E1MS1	Anthem Sewer Residential	49,000	\$56.25	\$34.30	\$	(21.95)	-39.02%
50	E1MS1	Anthem Sewer Residential	50,000	\$56.25	\$34.30	\$	(21.95)	-39.02%
51	E1MS1	Anthem Sewer Residential	51,000	\$56.25	\$34.30	\$	(21.95)	-39.02%
52	E1MS1	Anthem Sewer Residential	52,000	\$56.25	\$34.30	\$	(21.95)	-39.02%
53	E1MS1	Anthem Sewer Residential	53,000	\$56.25	\$34.30	\$	(21.95)	-39.02%
54	E1MS1	Anthem Sewer Residential	54,000	\$56.25	\$34.30	\$	(21.95)	-39.02%
55	E1MS1	Anthem Sewer Residential	55,000	\$56.25	\$34.30	\$	(21.95)	-39.02%
56								
57	E1MS1	Anthem Sewer Residential	Average: 5,814	\$51.80	\$34.30	\$	(17.50)	-33.79%
58								
59								
60								

**EPCOR Water Arizona Inc. - Mohave Wastewater District**  
Bill Comparison Present and Proposed Rates

Meter Size: Residential (1 ERU)

<u>Usage</u>	<u>Present</u> <u>Bill</u>	<u>Proposed</u> <u>Bill</u>	<u>Dollar</u> <u>Increase</u>	<u>Percent</u> <u>Increase</u>	<b>Present Rates:</b>	
-	\$ 82.79	\$ 34.30	\$ (48.49)	-58.57%	Per ERU	\$ 82.79
					# ERU's	1
					Monthly Service Charge:	\$ 82.79
					<b>Proposed Rates:</b>	
					Per ERU	\$ 34.30
					# ERU's	1
					Monthly Service Charge:	\$ 34.30

EPCOR Water Arizona Inc. - Sun City Wastewater  
Docket No: W-01303A-09-0343; SW-01303A-09-0343  
Wastewater District Rate Design Proceeding  
Typical Bill Analysis

Line No.	Rate Schedule	Description	Units	Typical Bills			
				Present Rates	Consolidated Rates	Consolidated Increase Amount	Increase %
1	A1S1A	Sun City Sewer Residential S Unit 5/8" & 3/4"	1	\$18.11	\$34.30	\$ 16.19	89.40%
2							
3	A1S1B	Sun City Sewer Residential Single Unit 1"	1	\$46.86	\$34.30	\$ (12.56)	-26.80%
4							
5	A1S1C	Sun City Sewer Residential Single Unit 1 1/2"	1	\$93.73	\$34.30	\$ (59.43)	-63.41%
6							
7	A1S1D	Sun City Sewer Residential Single Unit =>2"	1	\$149.96	\$34.30	\$ (115.66)	-77.13%
8							
9	A1S1N	Sun City Sewer Residential S Unit Non Water	1	\$18.11	\$34.30	\$ 16.19	89.40%
10							
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EPCOR Water Arizona Inc. - Sun City Wastewater  
Docket No: W-01303A-09-0343; SW-01303A-09-0343  
Wastewater District Rate Design Proceeding  
Typical Bill Analysis

## Typical Bills

Line No.	Rate Schedule	Description	Units	Present Rates	Consolidated Rates	Consolidated Increase Amount	%	
1	A1S2A	Sun City Sewer Residential M Unit All Water	1	\$18.11	\$34.30	\$ 16.19	89.40%	
2	A1S2A	Sun City Sewer Residential M Unit All Water	2	\$36.22	\$68.60	\$ 32.38	89.40%	
3	A1S2A	Sun City Sewer Residential M Unit All Water	3	\$54.33	\$102.90	\$ 48.57	89.40%	
4	A1S2A	Sun City Sewer Residential M Unit All Water	4	\$72.44	\$137.20	\$ 64.76	89.40%	
5	A1S2A	Sun City Sewer Residential M Unit All Water	5	\$90.55	\$171.50	\$ 80.95	89.40%	
6	A1S2A	Sun City Sewer Residential M Unit All Water	6	\$108.66	\$205.80	\$ 97.14	89.40%	
7	A1S2A	Sun City Sewer Residential M Unit All Water	7	\$126.77	\$240.10	\$ 113.33	89.40%	
8	A1S2A	Sun City Sewer Residential M Unit All Water	8	\$144.88	\$274.40	\$ 129.52	89.40%	
9	A1S2A	Sun City Sewer Residential M Unit All Water	9	\$162.99	\$308.70	\$ 145.71	89.40%	
10	A1S2A	Sun City Sewer Residential M Unit All Water	10	\$181.10	\$343.00	\$ 161.90	89.40%	
11	A1S2A	Sun City Sewer Residential M Unit All Water	11	\$199.21	\$377.30	\$ 178.09	89.40%	
12	A1S2A	Sun City Sewer Residential M Unit All Water	12	\$217.32	\$411.60	\$ 194.28	89.40%	
13	A1S2A	Sun City Sewer Residential M Unit All Water	13	\$235.43	\$445.90	\$ 210.47	89.40%	
14	A1S2A	Sun City Sewer Residential M Unit All Water	14	\$253.54	\$480.20	\$ 226.66	89.40%	
15	A1S2A	Sun City Sewer Residential M Unit All Water	15	\$271.65	\$514.50	\$ 242.85	89.40%	
16	A1S2A	Sun City Sewer Residential M Unit All Water	16	\$289.76	\$548.80	\$ 259.04	89.40%	
17	A1S2A	Sun City Sewer Residential M Unit All Water	17	\$307.87	\$583.10	\$ 275.23	89.40%	
18	A1S2A	Sun City Sewer Residential M Unit All Water	18	\$325.98	\$617.40	\$ 291.42	89.40%	
19	A1S2A	Sun City Sewer Residential M Unit All Water	19	\$344.09	\$651.70	\$ 307.61	89.40%	
20	A1S2A	Sun City Sewer Residential M Unit All Water	20	\$362.20	\$686.00	\$ 323.80	89.40%	
21	A1S2A	Sun City Sewer Residential M Unit All Water	21	\$380.31	\$720.30	\$ 339.99	89.40%	
22	A1S2A	Sun City Sewer Residential M Unit All Water	22	\$398.42	\$754.60	\$ 356.18	89.40%	
23	A1S2A	Sun City Sewer Residential M Unit All Water	23	\$416.53	\$788.90	\$ 372.37	89.40%	
24	A1S2A	Sun City Sewer Residential M Unit All Water	24	\$434.64	\$823.20	\$ 388.56	89.40%	
25	A1S2A	Sun City Sewer Residential M Unit All Water	25	\$452.75	\$857.50	\$ 404.75	89.40%	
26	A1S2A	Sun City Sewer Residential M Unit All Water	26	\$470.86	\$891.80	\$ 420.94	89.40%	
27	A1S2A	Sun City Sewer Residential M Unit All Water	27	\$488.97	\$926.10	\$ 437.13	89.40%	
28	A1S2A	Sun City Sewer Residential M Unit All Water	28	\$507.08	\$960.40	\$ 453.32	89.40%	
29	A1S2A	Sun City Sewer Residential M Unit All Water	29	\$525.19	\$994.70	\$ 469.51	89.40%	
30	A1S2A	Sun City Sewer Residential M Unit All Water	30	\$543.30	\$1,029.00	\$ 485.70	89.40%	
31	A1S2A	Sun City Sewer Residential M Unit All Water	31	\$561.41	\$1,063.30	\$ 501.89	89.40%	
32	A1S2A	Sun City Sewer Residential M Unit All Water	32	\$579.52	\$1,097.60	\$ 518.08	89.40%	
33	A1S2A	Sun City Sewer Residential M Unit All Water	33	\$597.63	\$1,131.90	\$ 534.27	89.40%	
34	A1S2A	Sun City Sewer Residential M Unit All Water	34	\$615.74	\$1,166.20	\$ 550.46	89.40%	
35	A1S2A	Sun City Sewer Residential M Unit All Water	35	\$633.85	\$1,200.50	\$ 566.65	89.40%	
36	A1S2A	Sun City Sewer Residential M Unit All Water	36	\$651.96	\$1,234.80	\$ 582.84	89.40%	
37	A1S2A	Sun City Sewer Residential M Unit All Water	37	\$670.07	\$1,269.10	\$ 599.03	89.40%	
38	A1S2A	Sun City Sewer Residential M Unit All Water	38	\$688.18	\$1,303.40	\$ 615.22	89.40%	
39	A1S2A	Sun City Sewer Residential M Unit All Water	39	\$706.29	\$1,337.70	\$ 631.41	89.40%	
40	A1S2A	Sun City Sewer Residential M Unit All Water	40	\$724.40	\$1,372.00	\$ 647.60	89.40%	
41	A1S2A	Sun City Sewer Residential M Unit All Water	41	\$742.51	\$1,406.30	\$ 663.79	89.40%	
42	A1S2A	Sun City Sewer Residential M Unit All Water	42	\$760.62	\$1,440.60	\$ 679.98	89.40%	
43	A1S2A	Sun City Sewer Residential M Unit All Water	43	\$778.73	\$1,474.90	\$ 696.17	89.40%	
44	A1S2A	Sun City Sewer Residential M Unit All Water	44	\$796.84	\$1,509.20	\$ 712.36	89.40%	
45	A1S2A	Sun City Sewer Residential M Unit All Water	45	\$814.95	\$1,543.50	\$ 728.55	89.40%	
46	A1S2A	Sun City Sewer Residential M Unit All Water	46	\$833.06	\$1,577.80	\$ 744.74	89.40%	
47	A1S2A	Sun City Sewer Residential M Unit All Water	47	\$851.17	\$1,612.10	\$ 760.93	89.40%	
48	A1S2A	Sun City Sewer Residential M Unit All Water	48	\$869.28	\$1,646.40	\$ 777.12	89.40%	
49	A1S2A	Sun City Sewer Residential M Unit All Water	49	\$887.39	\$1,680.70	\$ 793.31	89.40%	
50	A1S2A	Sun City Sewer Residential M Unit All Water	50	\$905.50	\$1,715.00	\$ 809.50	89.40%	
51	A1S2A	Sun City Sewer Residential M Unit All Water	51	\$923.61	\$1,749.30	\$ 825.69	89.40%	
52	A1S2A	Sun City Sewer Residential M Unit All Water	52	\$941.72	\$1,783.60	\$ 841.88	89.40%	
53	A1S2A	Sun City Sewer Residential M Unit All Water	53	\$959.83	\$1,817.90	\$ 858.07	89.40%	
54	A1S2A	Sun City Sewer Residential M Unit All Water	54	\$977.94	\$1,852.20	\$ 874.26	89.40%	
55	A1S2A	Sun City Sewer Residential M Unit All Water	55	\$996.05	\$1,886.50	\$ 890.45	89.40%	
56								
57	A1S2A	Sun City Sewer Residential M Unit All Water	Average:	6	\$106.80	\$202.28	\$ 95.48	89.40%
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**EPCOR Water Arizona Inc. - Sun City Wastewater**  
Docket No: W-01303A-09-0343; SW-01303A-09-0343  
Wastewater District Rate Design Proceeding  
Typical Bill Analysis

## Typical Bills

Line No.	Rate Schedule	Description	Units	Present Rates	Consolidated Rates	Consolidated Amount	Increase %
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8	A1S2N	Sun City Sewer Residential M Unit Non Water	8	\$144.88	\$274.40	\$ 129.52	89.40%
9	A1S2N	Sun City Sewer Residential M Unit Non Water	9	\$162.99	\$308.70	\$ 145.71	89.40%
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45	A1S2N	Sun City Sewer Residential M Unit Non Water	45	\$814.95	\$1,543.50	\$ 728.55	89.40%
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47	A1S2N	Sun City Sewer Residential M Unit Non Water	47	\$851.17	\$1,612.10	\$ 760.93	89.40%
48	A1S2N	Sun City Sewer Residential M Unit Non Water	48	\$869.28	\$1,646.40	\$ 777.12	89.40%
49	A1S2N	Sun City Sewer Residential M Unit Non Water	49	\$887.39	\$1,680.70	\$ 793.31	89.40%
50	A1S2N	Sun City Sewer Residential M Unit Non Water	50	\$905.50	\$1,715.00	\$ 809.50	89.40%
51	A1S2N	Sun City Sewer Residential M Unit Non Water	51	\$923.61	\$1,749.30	\$ 825.69	89.40%
52	A1S2N	Sun City Sewer Residential M Unit Non Water	52	\$941.72	\$1,783.60	\$ 841.88	89.40%
53	A1S2N	Sun City Sewer Residential M Unit Non Water	53	\$959.83	\$1,817.90	\$ 858.07	89.40%
54	A1S2N	Sun City Sewer Residential M Unit Non Water	54	\$977.94	\$1,852.20	\$ 874.26	89.40%
55	A1S2N	Sun City Sewer Residential M Unit Non Water	55	\$996.05	\$1,886.50	\$ 890.45	89.40%
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57	A1S2N	Sun City Sewer Residential M Unit Non Water	Average:	\$319.44	\$605.01	\$ 285.57	89.40%
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**EPCOR Water Arizona Inc. - Sun City West Wastewater**  
Docket No: W0-1303A-09-0343; SW-01303A-09-0343  
Wastewater District Rate Design Proceeding

Line No.	Rate Schedule	Description	Units	Typical Bills		Proposed Increase	
				Present Rates	Proposed Rates	Amount	%
1	B1S1A	Sun City West Sewer Residential Single 5/8" x 3/4"	1	\$30.96	\$34.30	\$3.34	10.79%
2							
3	B1S1B	Sun City West Sewer Residential Single Unit 1"	1	\$77.40	\$34.30	(\$43.10)	-55.68%
4							
5	B1S1D	Sun City West Sewer Residential Single Unit =>2"	1	\$247.66	\$34.30	(\$213.36)	-86.15%
6							
7	B1S1N	Sun City West Sewer Residential S Unit Non Water	1	\$30.96	\$34.30	\$3.34	10.79%
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**EPCOR Water Arizona Inc. - Sun City West Wastewater**  
Docket No: W0-1303A-09-0343; SW-01303A-09-0343  
Wastewater District Rate Design Proceeding

Line No.	Rate Schedule	Description	Units	Typical Bills				
				Present Rates	Proposed Rates	Proposed Increase Amount	%	
1	B1S2A	Sun City West Sewer Residential Multi all Units	1	\$30.96	\$34.30	\$ 3.34	10.79%	
2	B1S2A	Sun City West Sewer Residential Multi all Units	2	\$61.92	\$68.60	\$ 6.68	10.79%	
3	B1S2A	Sun City West Sewer Residential Multi all Units	3	\$92.88	\$102.90	\$ 10.02	10.79%	
4	B1S2A	Sun City West Sewer Residential Multi all Units	4	\$123.84	\$137.20	\$ 13.36	10.79%	
5	B1S2A	Sun City West Sewer Residential Multi all Units	5	\$154.80	\$171.50	\$ 16.70	10.79%	
6	B1S2A	Sun City West Sewer Residential Multi all Units	6	\$185.76	\$205.80	\$ 20.04	10.79%	
7	B1S2A	Sun City West Sewer Residential Multi all Units	7	\$216.72	\$240.10	\$ 23.38	10.79%	
8	B1S2A	Sun City West Sewer Residential Multi all Units	8	\$247.68	\$274.40	\$ 26.72	10.79%	
9	B1S2A	Sun City West Sewer Residential Multi all Units	9	\$278.64	\$308.70	\$ 30.06	10.79%	
10	B1S2A	Sun City West Sewer Residential Multi all Units	10	\$309.60	\$343.00	\$ 33.40	10.79%	
11	B1S2A	Sun City West Sewer Residential Multi all Units	11	\$340.56	\$377.30	\$ 36.74	10.79%	
12	B1S2A	Sun City West Sewer Residential Multi all Units	12	\$371.52	\$411.60	\$ 40.08	10.79%	
13	B1S2A	Sun City West Sewer Residential Multi all Units	13	\$402.48	\$445.90	\$ 43.42	10.79%	
14	B1S2A	Sun City West Sewer Residential Multi all Units	14	\$433.44	\$480.20	\$ 46.76	10.79%	
15	B1S2A	Sun City West Sewer Residential Multi all Units	15	\$464.40	\$514.50	\$ 50.10	10.79%	
16	B1S2A	Sun City West Sewer Residential Multi all Units	16	\$495.36	\$548.80	\$ 53.44	10.79%	
17	B1S2A	Sun City West Sewer Residential Multi all Units	17	\$526.32	\$583.10	\$ 56.78	10.79%	
18	B1S2A	Sun City West Sewer Residential Multi all Units	18	\$557.28	\$617.40	\$ 60.12	10.79%	
19	B1S2A	Sun City West Sewer Residential Multi all Units	19	\$588.24	\$651.70	\$ 63.46	10.79%	
20	B1S2A	Sun City West Sewer Residential Multi all Units	20	\$619.20	\$686.00	\$ 66.80	10.79%	
21	B1S2A	Sun City West Sewer Residential Multi all Units	21	\$650.16	\$720.30	\$ 70.14	10.79%	
22	B1S2A	Sun City West Sewer Residential Multi all Units	22	\$681.12	\$754.60	\$ 73.48	10.79%	
23	B1S2A	Sun City West Sewer Residential Multi all Units	23	\$712.08	\$788.90	\$ 76.82	10.79%	
24	B1S2A	Sun City West Sewer Residential Multi all Units	24	\$743.04	\$823.20	\$ 80.16	10.79%	
25	B1S2A	Sun City West Sewer Residential Multi all Units	25	\$774.00	\$857.50	\$ 83.50	10.79%	
26	B1S2A	Sun City West Sewer Residential Multi all Units	26	\$804.96	\$891.80	\$ 86.84	10.79%	
27	B1S2A	Sun City West Sewer Residential Multi all Units	27	\$835.92	\$926.10	\$ 90.18	10.79%	
28	B1S2A	Sun City West Sewer Residential Multi all Units	28	\$866.88	\$960.40	\$ 93.52	10.79%	
29	B1S2A	Sun City West Sewer Residential Multi all Units	29	\$897.84	\$994.70	\$ 96.86	10.79%	
30	B1S2A	Sun City West Sewer Residential Multi all Units	30	\$928.80	\$1,029.00	\$ 100.20	10.79%	
31	B1S2A	Sun City West Sewer Residential Multi all Units	31	\$959.76	\$1,063.30	\$ 103.54	10.79%	
32	B1S2A	Sun City West Sewer Residential Multi all Units	32	\$990.72	\$1,097.60	\$ 106.88	10.79%	
33	B1S2A	Sun City West Sewer Residential Multi all Units	33	\$1,021.68	\$1,131.90	\$ 110.22	10.79%	
34	B1S2A	Sun City West Sewer Residential Multi all Units	34	\$1,052.64	\$1,166.20	\$ 113.56	10.79%	
35	B1S2A	Sun City West Sewer Residential Multi all Units	35	\$1,083.60	\$1,200.50	\$ 116.90	10.79%	
36	B1S2A	Sun City West Sewer Residential Multi all Units	36	\$1,114.56	\$1,234.80	\$ 120.24	10.79%	
37	B1S2A	Sun City West Sewer Residential Multi all Units	37	\$1,145.52	\$1,269.10	\$ 123.58	10.79%	
38	B1S2A	Sun City West Sewer Residential Multi all Units	38	\$1,176.48	\$1,303.40	\$ 126.92	10.79%	
39	B1S2A	Sun City West Sewer Residential Multi all Units	39	\$1,207.44	\$1,337.70	\$ 130.26	10.79%	
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41	B1S2A	Sun City West Sewer Residential Multi all Units	41	\$1,269.36	\$1,406.30	\$ 136.94	10.79%	
42	B1S2A	Sun City West Sewer Residential Multi all Units	42	\$1,300.32	\$1,440.60	\$ 140.28	10.79%	
43	B1S2A	Sun City West Sewer Residential Multi all Units	43	\$1,331.28	\$1,474.90	\$ 143.62	10.79%	
44	B1S2A	Sun City West Sewer Residential Multi all Units	44	\$1,362.24	\$1,509.20	\$ 146.96	10.79%	
45	B1S2A	Sun City West Sewer Residential Multi all Units	45	\$1,393.20	\$1,543.50	\$ 150.30	10.79%	
46	B1S2A	Sun City West Sewer Residential Multi all Units	46	\$1,424.16	\$1,577.80	\$ 153.64	10.79%	
47	B1S2A	Sun City West Sewer Residential Multi all Units	47	\$1,455.12	\$1,612.10	\$ 156.98	10.79%	
48	B1S2A	Sun City West Sewer Residential Multi all Units	48	\$1,486.08	\$1,646.40	\$ 160.32	10.79%	
49	B1S2A	Sun City West Sewer Residential Multi all Units	49	\$1,517.04	\$1,680.70	\$ 163.66	10.79%	
50	B1S2A	Sun City West Sewer Residential Multi all Units	50	\$1,548.00	\$1,715.00	\$ 167.00	10.79%	
51	B1S2A	Sun City West Sewer Residential Multi all Units	51	\$1,578.96	\$1,749.30	\$ 170.34	10.79%	
52	B1S2A	Sun City West Sewer Residential Multi all Units	52	\$1,609.92	\$1,783.60	\$ 173.68	10.79%	
53	B1S2A	Sun City West Sewer Residential Multi all Units	53	\$1,640.88	\$1,817.90	\$ 177.02	10.79%	
54	B1S2A	Sun City West Sewer Residential Multi all Units	54	\$1,671.84	\$1,852.20	\$ 180.36	10.79%	
55	B1S2A	Sun City West Sewer Residential Multi all Units	55	\$1,702.80	\$1,886.50	\$ 183.70	10.79%	
56								
57	B1S2A	Sun City West Sewer Residential Multi all Units	Average:	6	\$174.78	\$193.64	\$ 18.86	10.79%
58								
59								
60								

**EXHIBIT SLH- 5**

# Deconsolidation of Agua Fria District Scenario

LINE NO.	DESCRIPTION	NE			
		Verrado	Agua Fria	Russell Ranch	Totals
1	Adjusted Rate Base	\$ 12,050,468	\$ 7,097,062	\$ -	\$ 19,147,531
2	Adjusted Operating Income (Loss)	\$ (548,068)	\$ (391,818)	\$ (33,380)	\$ (973,265)
3	Current Rate of Return (L2 / L1)	-4.55%	-5.52%	0.00%	-5.08%
4	Required Rate of Return	6.70%	6.70%	6.70%	6.70%
5	Required Operating Income (L4 * L1)	\$ 807,381	\$ 475,503	\$ -	\$ 1,282,885
6	Operating Income Deficiency (L5 - L2)	\$ 1,355,449	\$ 867,321	\$ 33,380	\$ 2,256,150
7	Gross Revenue Conversion Factor	1.6561	1.6561	1.6561	1.6561
8	Required Revenue Increase (L7 * L6)	\$ 2,244,807	\$ 1,436,401	\$ 55,282	\$ 3,736,490
9	Adjusted Test Year Revenue	\$ 1,506,275	\$ 1,076,847	\$ 91,740	2,674,862
10	Proposed Annual Revenue (L8 + L9)	\$ 3,751,083	\$ 2,513,248	\$ 147,021	\$ 6,411,352
11	Total Customer Count	2,577	1,842	157	4,576
12	Flat Rate per Customer per month	<u>\$ 121.31</u>	<u>\$ 113.69</u>	<u>\$ 78.07</u>	<u>\$ 116.76</u>
13	Final Avg Rates per month per Decision No. 73837	\$ 121.00	\$ 121.00	\$ 121.00	\$ 121.00
14	Difference in Deconsolidated Rates & Authorized	\$ (0.31)	\$ 7.31	\$ 42.93	\$ 4.24

**EXHIBIT SLH- 6**

Wastewater District Rate Design Proceeding

**Re-Consolidation of Anthem / Agua Fria Wastewater Scenario**

Anthem Wastewater & Agua Fria Wastewater  
Test Year Ended December 31, 2008

Line No.	Rate Schedule	Description	Kgals Billed (Cap)	Average Number of Customers	Average Consumption (Gallons)	Service Chg # of Billing Units	Billed Consumption (Kgals)	(Deconsolidated) Revenue	Re-consolidation Base Charge	Commodity Charge
1	E1MS1	Anthem/Agua Fria Sewer Residential	7,000	12,879	11,111	154,551	870,371	10,504,815	\$ 39.84	\$ 4.99
2	E2MS1	Anthem/Agua Fria Sewer Commercial 5/8"	10,000	4	5,925	51	302	3,951	\$ 44.48	\$ 5.58
3	E2MS2	Anthem/Agua Fria Sewer Commercial 3/4"	15,000	1	-	12	-	801	\$ 66.72	\$ 5.58
4	E2MS3	Anthem/Agua Fria Sewer Commercial 1"	15,000	20	18,324	237	2,104	32,803	\$ 89.06	\$ 5.58
5	E2MS4	Anthem/Agua Fria Sewer Commercial LG	All Gallons	130	103,650	1,571	79,868	725,128	\$ 178.05	\$ 5.58
6	E5M2	Anthem Wholesale (Phoenix) OWU	All Gallons	2	9,655,083	24	231,722	1,292,082	-	\$ 5.58
7	D7M1	Anthem Effluent	All Gallons	48	840,540	572	480,873	370,272	-	\$ 0.77
8	D7M2	Anthem Effluent - Const	All Gallons	5	1,717,117	60	103,027	79,331	-	\$ 0.77
9	C8M2A	Agua Fria DMB @ Verrado Golf	All Gallons	1	13,683,831	0	177,890	136,975	-	\$ 0.77
Total Anthem / Agua Fria Sewer - Billed Revenues			13,090	26,035,581	157,078	1,946,156	13,146,157			